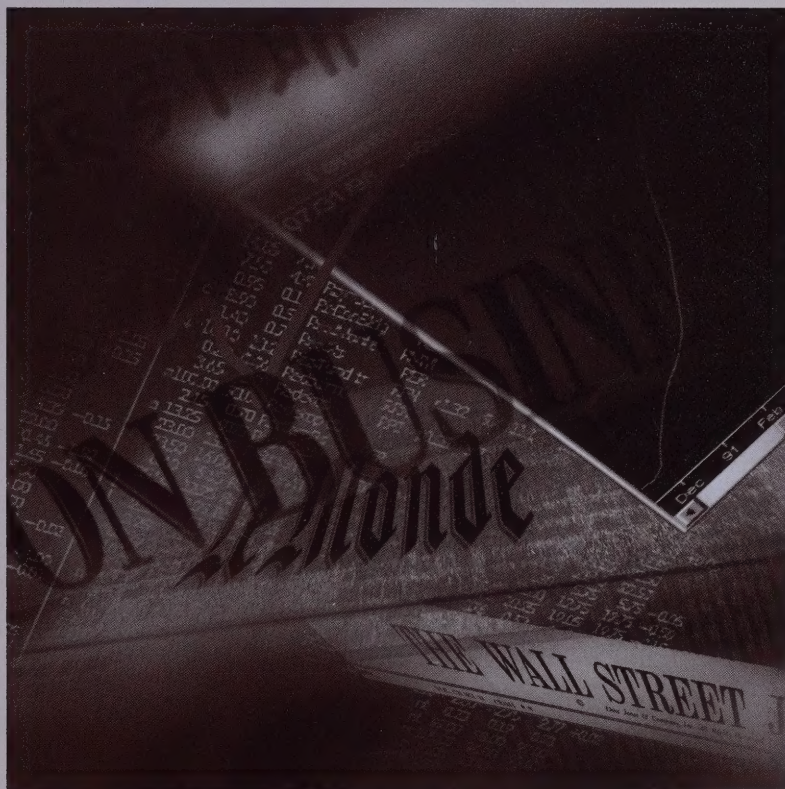


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**GUARDIAN MUTUAL FUNDS ANNUAL REPORT 1998 • CLASSIC UNITS**



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## Message from the President

**D**ear Fellow Investor:

One of the issues I'm most often asked to comment on by investors and members of the media alike is the Year 2000 (Y2K) problem. For this reason, I addressed the issue in a letter to all unitholders that was included with year-end investor statements. However, because of the magnitude of the issue and the fact that this Annual Report is read by a wider audience throughout the year, I'd also like to take this opportunity to discuss the implications for Guardian Mutual Funds investors.

The Year 2000 computer issue has received substantial coverage in the media. In brief, the issue is that the longstanding use of a two-digit field to represent year dates in computer programs could lead to some unpredictable calculations or malfunctions in computer systems. This potential for error exists in every industry and country, and it has an absolutely inflexible deadline.

Guardian has formed a Year 2000 project team that includes representatives from every relevant area within the Company. The project team, overseen by a Steering Committee of cross-functional operating executives, has met regularly, and has developed a Year 2000 assessment, as well as a project plan. The project plan, which is currently being implemented, focuses on both our internal systems and the external systems of our service providers and others who might affect the operations of the Funds. We anticipate the completion of the project plan in mid-1999.

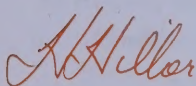
Most of our internal systems are relatively new, and our two main systems were purchased from reputable software vendors within the past four years. Both of these systems are certified as Year 2000-compliant by the vendors. Nevertheless, we are testing all critical components in our internal systems to verify Year 2000 compliance. With respect to external systems, we have identified and categorized all direct and indirect interfaces with our systems. We are monitoring the Year 2000 compliance of these interfaces and, where appropriate, testing these external systems. We are supporting the efforts of securities regulators and industry organizations to organize industry-wide testing in 1999, and have met the criteria to participate in such testing.

However, the operations of the Funds depend directly and indirectly on a wide range of external suppliers, including utilities, telephone companies, and stock exchanges. We have no direct control over these organizations' preparations for the Year 2000. We are monitoring their efforts, and we are reviewing potential contingency plans, but we may be affected, along with others in our industry, by unexpected disruptions in these services.

Another Year 2000 issue has to do with the systems of the companies in which Guardian invests on behalf of the Funds. Any Y2K problems these companies experience might affect Fund performance. However, we are confident in our investment managers, who carry out a comprehensive analysis of every investment to assess its potential future value. This process involves research on a company's financial and operational health, and includes a review of reports and public documents relating to the company, as well as discussions with management, where relevant. An important aspect of this research is an assessment of each company's plans to address, and progress in dealing with, the Year 2000 issue.

It is virtually impossible to predict or eliminate Year 2000 problems completely. However, we are confident that the steps we are taking will minimize the risk to the Funds.

I hope this has answered any questions you may have had about this issue. Thank you for your continued support. Sincerely,



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HAROLD W. HILLIER, PRESIDENT  
MARCH 31, 1999

Many investors will remember 1998 for the domino-effect series of events that shook international stock markets in August and September. Despite grave warnings from stock market bears, there was no financial Armageddon, although market activity did illustrate the increasingly interconnected nature of international capital markets. Continued turmoil in Southeast Asia contributed to a mid-August currency devaluation and debt moratorium in Russia, which, in turn, contributed to the near-failure of a number of speculative international hedge funds, including well-known Long-Term Capital Management. The U.S. Federal Reserve Board orchestrated an unprecedented bailout for this Fund hoping to reduce the risk of more harm on global financial markets. Three subsequent Federal Reserve cuts in short-term administered interest rates (totalling three-quarters of a percentage point) then fuelled a powerful year-end rally in stocks.

In Canada, bonds outperformed stocks in 1998, reminding investors of the importance of maintaining a balanced portfolio. The benchmark Scotia Capital Markets Universe Bond Index returned 9.2%, with long-term Government of Canada bonds being the best performing component, with a return of 14.2%. Thirty-year Government of Canada bonds followed the declining yield of the benchmark 30-year U.S. Treasury bond over the course of the year as consumer price inflation remained at low levels, due in large part to cheaper Asian imports and lower commodity prices.

Stock market investors witnessed a dramatic divergence in performance between Canadian and U.S. stock market averages. The S&P 500 provided U.S. investors with an unprecedented fourth consecutive year of returns above 20%, while the TSE 300 posted a loss of 1.4%. After hitting an all-time high in April, the TSE 300 drifted lower during the summer. This decline accelerated sharply in the third quarter, when the index dropped almost 24%, its worst showing since the exchange began calculating returns in 1956. After hitting a two-year low on October 5, the TSE 300 began to climb back, but unlike the S&P 500, it was unable to break through its previous record high.

Much of the Canadian underperformance can be attributed to weakness in commodity markets, which brought many prices to levels not seen since the mid-1970s. This decline profoundly affected Canadian stocks, since the resource sector accounts for one-quarter of the TSE 300. All four major commodity sectors dropped during the year, led by the oil & gas index's drop of 30%. Crude oil prices fell to a 12-year low in December due to high production, unusually warm weather and a decline in Asian demand. Currency woes also contributed to Canada's underperformance. The Canadian dollar's drop to a record low of U.S. 63.05 cents in August unnerved foreign investors, whose presence might otherwise have helped the lackluster Canadian market.

Active U.S. investment managers had another very difficult year in 1998. Not since 40 years ago has so much of the market's advance been so concentrated. In 1998, the S&P 500 advanced 26.7%, as measured in U.S. dollars. While the average stock in the index gained just 10.8%, the top 50 stocks had an average gain of 38%. Against a backdrop of decelerating profit growth, investors opted to pay ever-higher price-earnings ratios for the largest companies, which they believed, would continue to produce good earnings.

Entering 1999, the general consensus is for slower global growth, although we expect that continued growth in the U.S. economy will bode well for Canada. At the same time, we recognize the still fragile state of global financial markets and their sensitivity to negative political and financial news. Given that the U.S. stock market acts as an important barometer for other global investors, an extended U.S. sell-off would pose problems for other markets. Although certain sectors of the U.S. market are trading at valuations that leave virtually no room for disappointment, there are still opportunities underneath the "megacaps" where valuations are still attractive. We remain positive about the prospects for stocks in North America from our "bottom-up" perspective. We believe the economic environment will be characterized by somewhat slower growth but not recession.



1 1998 was marked by a high degree of market volatility around the world. After reaching new highs in July, stock markets in Europe and the U.S. spiralled downward on fears that emerging market difficulties would produce a severe global economic slowdown. Interest rate cuts, particularly in the U.S., but also in Europe, alleviated those fears causing markets to rally strongly from their lows between early October and the end of the year. Peripheral European equity markets, such as Italy and Spain, were among the best performers. They were supported by the convergence of interest rates towards German rates during the lead-up to the euro conversion. Asian markets such as Hong Kong and Singapore continued to suffer from a regional recession, while the Japanese market finished the year lower, affected by one of the country's worst economic recessions since World War II.

International bond markets generally performed very well, with the Salomon Brothers World Bond Index rising 23.6% in Canadian dollars. U.K. gilts and U.S. treasuries were the best performers, when measured in local currency. Ten-year Japanese bond yields rose dramatically from their October lows to over 2.0% at year-end, as the government indicated it would issue twice as many bonds in 1999, while purchasing dramatically fewer bonds.

In 1999, we expect the Federal Reserve to remain neutral early in the year, barring a renewed crisis in the equity markets or major deflationary pressures. Over the longer term, slower growth and the very low level of inflation around the globe should offer good support for fixed income markets.

We believe that the U.S. bond market is more attractively valued than Europe's EMU markets, where the prospect for lower yields appear limited, despite possible first quarter cuts in European short-term rates. After a dramatic correction, Japanese bonds now appear to offer better value, although we are concerned about the risk of capital volatility, given the deterioration in the country's finances.

Positive liquidity conditions in global equity markets continue to support current valuation levels. However, we are monitoring revisions to global growth forecasts, as well as the extent to which policy makers may act to deflect potential global deflation. We remain underweight in Asian markets, given the difficulty of identifying good-quality stocks with solid earnings. We are favouring continental European markets, as the region should continue to benefit from the launch of the euro. The U.S. still offers interesting select opportunities in areas such as pharmaceuticals, technology, and consumer goods.

In an environment of lowered earnings forecasts in many parts of the world, our focus remains on adding value through careful stock selection. We expect investors will continue to focus on growth stocks with defensive qualities, such as strong franchise value and strong balance sheets.

Within sectors, we prefer those areas with the highest earnings visibility. In particular, we favor the technology and telecom sectors, where earnings estimates continue to be increased. We also favour pharmaceuticals, but more particularly, those companies showing strong new drug pipelines. We believe that the manufacturing sector is suffering from falling prices and increased competition from competitors with devalued currencies.

The Simplified Prospectuses contains important information about the Guardian Mutual Funds. Copies are available from Guardian or an authorized dealer. Read them carefully before investing. Share or unit value, yield and investment return will fluctuate. On the following pages, we present several charts for each of the Guardian Mutual funds, to indicate their risk and return profiles. One of the charts, designed to show Risk, graphs the Standard Deviation of each Fund, for the past three years and five years. Standard deviation is a statistical measurement of fluctuations in a Fund's returns. The higher the standard deviation of a Fund, the higher its volatility and, thus, the higher the risk. Funds with very stable net asset values, like money market funds, have standard deviations close to zero. Standard deviations of most balanced funds are usually near two. More volatile and aggressive equity funds may have standard deviations of five or more. This measure is not meaningful for funds with less than three years of performance history. The Rates of Return for each Fund shown are the actual return for 1 year and the annual compound total returns for the 3 years, 5 years and 10 years ended on December 31, 1998, as applicable, including changes in unit/share value. The Current Yield for each money market fund is the annual rate of return for the 7 days ended December 31, 1998, and the Effective Yield is the current yield stated on a compound annual basis. The Rate of Return, Yield and Growth of \$10,000 Invested calculations assume reinvestment of all distributions/dividends, and do not take into account sales, redemption or administrative charges payable by securityholders which would have reduced returns. Past performance is no assurance of future results. Effective January 1, 1996, the Funds were reorganized to create Class A and Class B units/shares which, except for Guardian Foreign Income Fund, were subsequently renamed Classic and Mutual Fund units/shares. The information provided in this report pertains only to Classic units/shares.



## Guardian Growth Equity Fund

**G**uardian Growth Equity Fund ended 1998 with an annual return of -9.5%. The Fund's characteristic, mid-capitalization bias worked against it in a year when liquid, large-cap stocks dominated the market. For much of the year, the Fund, using its traditional "growth at a reasonable price" philosophy, also had an above-market weighting in the underperforming oil & gas sector.

We anticipate an environment of slower global growth in 1999, but not recession. Our core strategy is still to identify companies that we believe possess unrecognized earnings momentum and that are likely to show increased price-to-earnings multiple revisions.

*Statement of Investment Portfolio on Page 14*

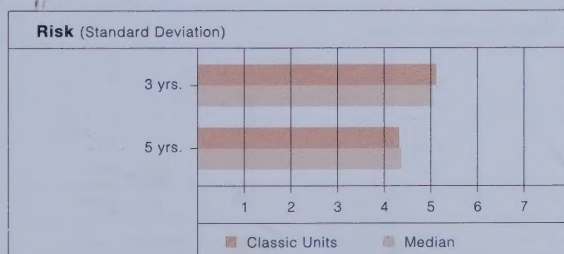
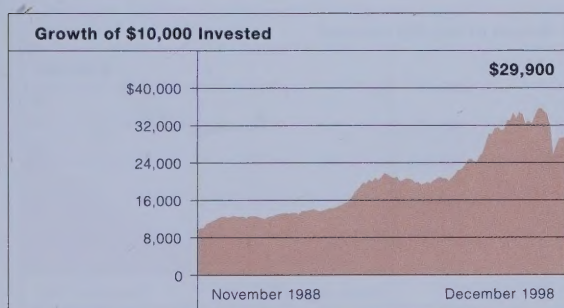
## Guardian Enterprise Fund

**S**mall-cap stocks performed poorly in comparison to large-cap stocks in 1998, as investors demonstrated a preference for large, blue-chip stocks. The TSE 200 was off 6.5%, while the Nesbitt Burns Small Cap was down an even greater 21.5%. Small cap underperformance was not confined to Canada; they were also poor performers in the United States and other developed markets. In this environment, Guardian Enterprise Fund provided an above average return of -13.6%.

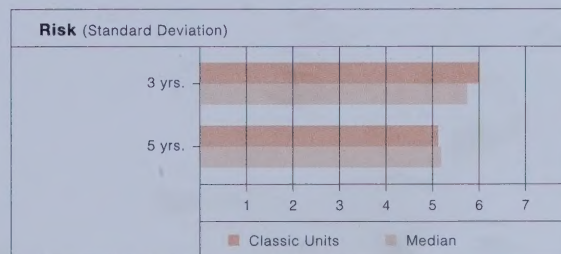
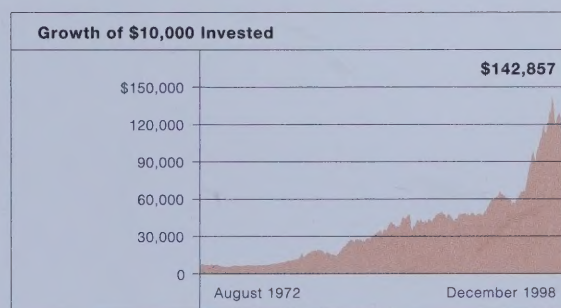
We anticipate an environment of slower global growth in 1999, but not recession. Our core strategy continues to be one of identifying companies which we believe possess unrecognized earnings momentum, and are likely to experience upwards price-to-earnings multiple revisions.

*Statement of Investment Portfolio on Page 15*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	-9.5	11.5	7.4	-



Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	-13.6	12.4	10.9	10.0



## Guardian American Large Cap Fund

**G**uardian American Large Cap Fund, managed by Lazard Asset Management of New York, was launched in May 1998. The Fund's performance was profoundly affected by several trends that dominated the U.S. market in 1998. The major beneficial influence on the Fund's performance was the extent to which large-cap stocks outperformed small- and mid-cap stocks. Uncertainty following 1997's Asian debacle created a strong investor preference for liquid, blue-chip stocks. This was followed by a series of truly gargantuan mergers among several large-cap stocks (Chrysler and Daimler-Benz, Deutsche Bank and Bankers Trust, and Exxon and Mobil).

The only negative was the sharp divergence between the performance of value and growth stocks. Although the Fund outperformed its relevant value index, growth stocks, primarily Internet stocks, dominated the market. It remains to be seen how long the euphoria surrounding the Internet and anything remotely connected to it will last. Guardian American Large Cap Fund will continue to concentrate on strong business franchises with strong management, realistic earnings projections, and sustainable, long-term profitability.

*Statement of Investment Portfolio on Page 16*

*Due to securities regulations, no performance information is presented for this Fund, as it has not yet completed its first year of operations.*

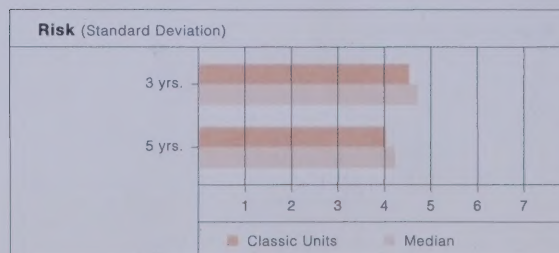
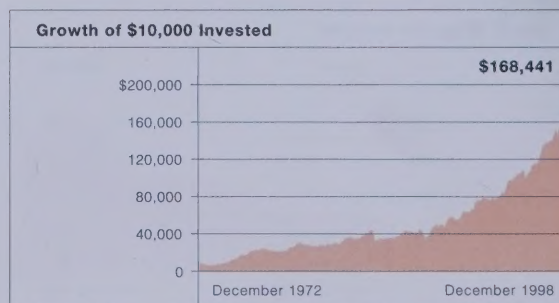
## Guardian American Equity Fund Ltd.

**I**n early 1998, Lazard Asset Management took over the management of the all-cap Guardian American Equity Fund Ltd.. Lazard's well-deserved reputation has been built over many years through a value approach to investing. As distinct from growth investing, value investing involves discovering stocks which are under-priced by the general market. Comprehensive company research conducted by their global network of investment managers and analysts allows Lazard to invest safely in these companies, whose true value is subsequently discovered by other investors. With this approach, the Fund had an excellent fourth quarter, producing a very respectable return of 19.9% for the year.

Looking forward in 1999, the Fund has a very strong mid-cap bias. Large-cap growth stocks dominated the market in 1998 and current valuation levels, particularly for large Internet stocks, appears expensive. The mid-cap sector, which didn't participate as fully in last year's market, appears to offer much better value. The recent flurry of U.S. merger and acquisition activity is encouraging. Although most of the activity to date has been in the large-cap area, strategic buyers will inevitably be looking towards opportunities in strong, undervalued mid-cap companies.

*Statement of Investment Portfolio on Page 17*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	19.9	18.5	17.1	16.7





## Guardian Global Equity Fund

**G**uardian Global Equity Fund posted a first-quartile return of 32.5% in 1998. Performance was enhanced by our move out of emerging markets, and an increase in our U.S. weighting. The Fund further benefited from good stock selection, particularly with our exposure to U.S. technology stocks and global telecom companies.

Our focus in 1999 will be to continue to add value through careful stock selection, with a focus on growth stocks having defensive qualities, such as strong franchise value and strong balance sheets. We will continue to emphasize companies where earnings visibility is highest favouring positions in technology and telecom, and also pharmaceutical companies with strong new drug pipelines.

*Statement of Investment Portfolio on Page 18*

## Guardian Global Small Cap Fund

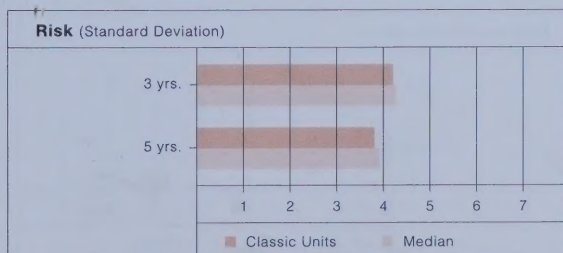
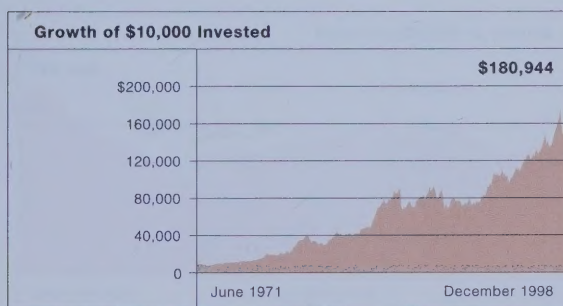
**G**uardian Global Small Cap Fund, adopted its present investment mandate on October 1, 1998. The Fund's results over this short period were primarily due to strong stock selection, particularly in the U. S. and Germany. Individual country strategy, particularly our underweight position in Japan and overweight position in the U.S., also contributed positively to performance.

In 1999, we continue to find many stocks offering exciting growth potential. In the near term, many of these companies are located in the United States. A prominent theme in the portfolio remains that of growth through the consolidation of fragmented industries. On a broader level, for small-cap companies, we remain cautious about continental European stocks. We believe that the latest stage of the European Monetary Union, which began this year with the introduction of a single currency (the euro), will put pressure on small-cap stocks, since local investors will probably shift their equity portfolios to a pan-European mandate by purchasing large-cap stocks. In other regions, we have uncovered a number of interesting opportunities in Asian markets, although we remain cautious about the economic fundamentals within these countries.

*Statement of Investment Portfolio on Page 19*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	32.5	16.3	12.6	8.6

*Due to securities regulations, no performance information is presented for this Fund, as it has not yet completed its first year of operations since the change in its investment mandate, on October 1, 1998*



## Guardian Emerging Markets Fund

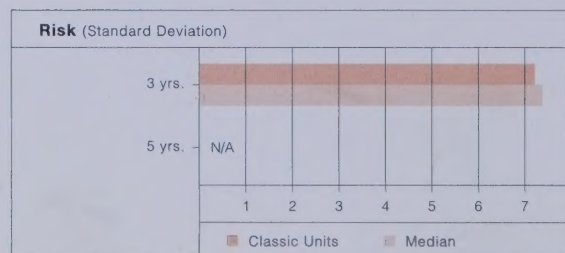
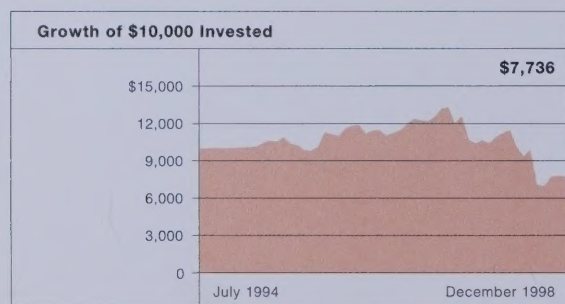
**A**t the end of September, Lazard Asset Management of New York, the manager of our two U.S. equity Funds took over portfolio management responsibilities of our Emerging Markets Fund. During the fourth quarter, the Fund produced a very satisfactory return of 10.6% and finished the year with an overall decline of 27.5%.

Despite Indian and Pakistani nuclear tests, the end of Indonesian President Suharto's rule, and Malaysia's imposition of capital controls, Asia rallied strongly enough in the last half of the year to become 1998's best-performing region. Europe and the Middle East experienced sharply divergent trends, with Greece providing excellent returns, while Russia effectively defaulted after the ruble was allowed to devalue. South Africa was negatively affected by its resource-based economy, as were most Latin American countries. The global credit crunch further focused attention on countries with worsening trade and fiscal balances, particularly Brazil and Venezuela.

It is likely that 1999 will demonstrate continued volatility. However, as markets have declined, Lazard is now finding companies that offer good value.

*Statement of Investment Portfolio on Page 21*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	-27.5	-8.6	-	-



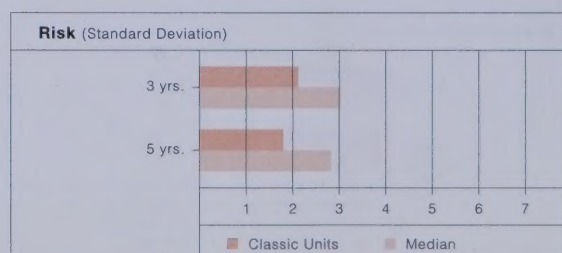
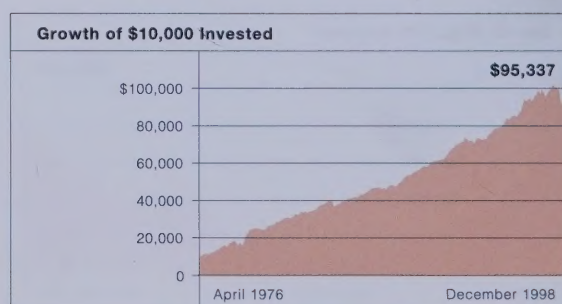
## Guardian Canadian Balanced Fund

**G**uardian Canadian Balanced Fund ended 1998, with an annual return of -1.8%. Much of the performance weakness can be attributed to the defensive stock selection within the Canadian equity component. The Fund's traditional value approach led to an above-market weighting in resource stocks, which offered the best relative value on a price-to-asset basis. Unfortunately in 1998, all of the resource industry groups underperformed the broader stock market.

In the fourth quarter of 1998, certain changes were made that we believe will enhance performance opportunity for Guardian Canadian Balanced Fund. Peter Hargrove, head of fixed income investments for Guardian Capital Inc. and manager of Guardian Canadian Bond Fund, has been appointed co-manager of the Fund, and will manage the Fund's fixed income component. Lazard Asset Management of New York, value style managers of Guardian American Equity Fund, Guardian American Large Cap Fund, and Guardian Emerging Markets Fund, will now manage the foreign content component of the Fund. We're confident these changes will result in improved performance without compromising the Fund's earned reputation for low volatility.

*Statement of Investment Portfolio on Page 23*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	-1.8	5.0	5.8	8.5





## Guardian Growth & Income Fund

**G**uardian Growth & Income Fund's fixed-income component performed in line with the ScotiaMcLeod Universe Index in 1998. Entering 1999, we believe that long bond yields will remain in a narrow range. We are, therefore, moving to a neutral duration (sensitivity to changes in interest rates) and will attempt to add value through sector weightings and yield curve positioning.

Large blue chip stocks dominated equity market performance in 1998. The Fund's mid-cap bias, and its energy weighting in a year when the oil & gas sector dramatically underperformed the broader market, resulted in lower performance with a return of -4.4%.

We anticipate an environment of slower global growth in 1999, but not recession. Our core strategy continues to be one of identifying companies which we believe possess unrecognized earnings momentum, and are likely to experience upwards price-to-earnings multiple revisions.

*Statement of Investment Portfolio on Page 27*

## Guardian International Balanced Fund

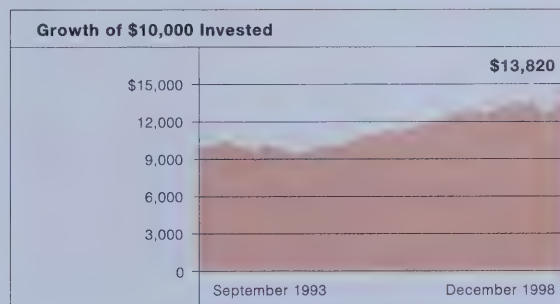
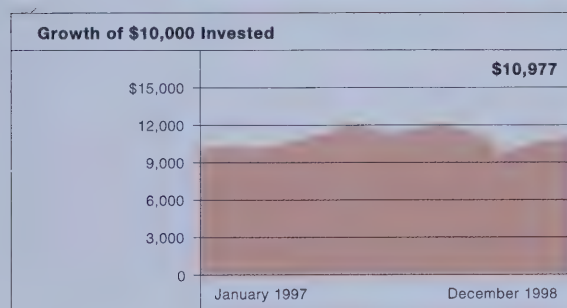
**G**uardian International Balanced Fund posted a steady return of 8.6% in 1998. Successful duration management and country selection were positives, although the defensive decision to hedge currency into Canadian dollars reduced performance opportunity. In mid-year, the Fund's policy was modified to change the mandated 15% emerging markets exposure; 15% is now the maximum allowable exposure. This change was timely, as exposure to emerging markets in the first part of the year detracted from performance. Subsequent repositioning, with higher U.S. weighting and increased exposure to growth companies such as telecommunications, pharmaceuticals, and technology, benefited performance.

Barring renewed equity weakness or major deflationary pressures in the U.S., we expect the Federal Reserve to remain neutral early in 1999. Over the longer term, slower growth and the very low level of global inflation should support fixed-income markets. Liquidity conditions in global equity markets also support current equity valuation levels. However, we continue to monitor global growth figures, as well as the extent to which policy makers may act to deflect potential global deflation. We expect that European equity markets will be favoured in the portfolio.

*Statement of Investment Portfolio on Page 29*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	-4.4	-	-	-

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	8.6	8.9	6.0	-



Risk (Standard Deviation)								
3 yrs.	N/A							
5 yrs.	N/A							
	1	2	3	4	5	6	7	
	Classic Units				Median			

Risk (Standard Deviation)								
3 yrs.								
5 yrs.								
	1	2	3	4	5	6	7	
	Classic Units				Median			

## Guardian Canadian Income Fund

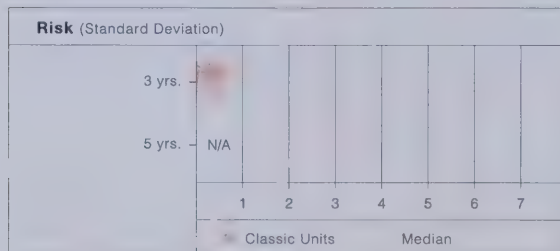
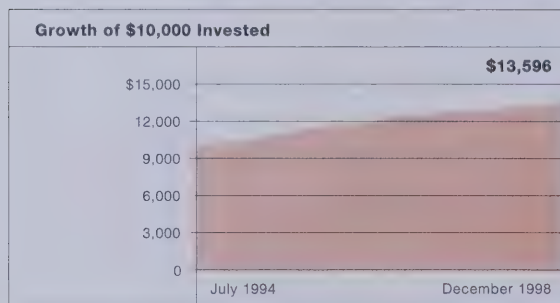
Guardian Canadian Income Fund's return of 5.1% was less than the Scotia Capital Markets Short Term Bond Universe Index, which returned 6.7%. Much of the underperformance occurred early in the year, when the Fund's duration (sensitivity to changes in interest rates) was below-average as interest rates declined. Steve Kearns, manager of Guardian's two Money Market Funds and the newly introduced High Yield Fund, was appointed manager of the Fund in mid-year. With a modestly increased duration later in the year, the Fund's performance was more in line with its benchmark.

The Fund has traditionally emphasized high-quality corporate bonds to enhance the Fund's yield. During the August to September market turmoil, we added a 20% weighting of federal and provincial bonds to extend the Fund's duration and to position it for an anticipated steepening of the yield curve, brought about by lower short-term interest rates.

Looking forward in 1999, we feel the debt market has already discounted a slowdown in economic growth. Subject to any new supply pressures, we do not anticipate the spreads between government and corporate yields will widen to the extent they did in the third quarter of 1998, when the market feared widespread global financial weakness.

*Statement of Investment Portfolio on Page 31*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	5.1	5.4	-	-



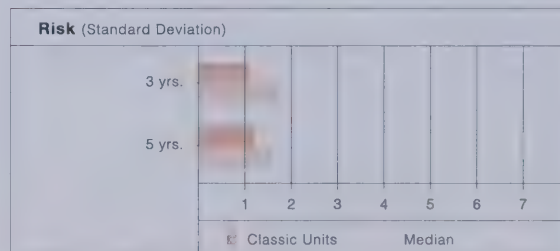
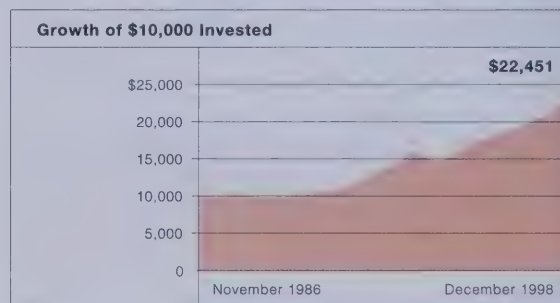
## Guardian International Income Fund

Guardian International Income Fund had another solid year in 1998, generating a return of 10.8%. The U.S. and the U.K. bond markets, in which the Fund was overweighted throughout the year, were the strongest performers in local currency terms. Their performance was, however, outstripped by European markets, particularly the peripheral markets, when measured in Canadian dollars. Our hedging out of European currencies into Canadian dollars did allow us to maintain a lower risk profile for a small performance concession.

In the absence of renewed weakness in the equity markets or major deflationary pressures in the U.S., we expect the Federal Reserve to remain neutral early in 1999. Over the longer term, slower growth and the very low level of global inflation should support fixed-income markets. We believe the U.S. bond market is more attractively valued than Europe's EMU markets, where the scope for lower yields appears limited. After a dramatic correction at the end of the year, Japanese bonds appear to offer better value, although we remain concerned about high capital volatility, given the deterioration of that country's finances.

*Statement of Investment Portfolio on Page 32*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	10.8	8.3	7.0	8.6





## Guardian Foreign Income Fund

## Guardian Monthly Dividend Fund Ltd.

**G**uardian Foreign Income Fund enjoyed excellent performance in 1998, generating a first-quartile return of 17.2%. The U.S. and the U.K. bond markets, which the Fund overweighted throughout the year, were the strongest performers in local currency terms. Their performance was, however, outstripped by European markets, particularly the peripheral markets, when measured in Canadian dollars. Our hedging out of European currencies into Canadian dollars did allow us to maintain a low risk profile for a small performance concession.

Barring renewed weakness in the equity markets or major deflationary pressures in the U.S., we expect the Federal Reserve to remain neutral early in 1999. Over the longer term, slower growth and the very low level of global inflation should support fixed-income markets. We believe the U.S. bond market is more attractively valued than Europe's EMU markets, where the scope for lower yields appears limited. After a dramatic correction at the end of the year, Japanese bonds appear to now offer better value, although we remain concerned about high capital volatility, given the deterioration in that country's finances.

*Statement of Investment Portfolio on Page 33*

**I**n 1998, the preferred share market in Canada continued to be characterized by a lack of high-quality issues, particularly in the attractive fixed rate exchangeable/retractable area that makes up a significant portion of Guardian Monthly Dividend Fund Ltd. Since the Fund was closed to new money in 1997, assets have declined, making the existing exchangeable/retractable preferreds a larger component of the Fund, benefitting existing unitholders.

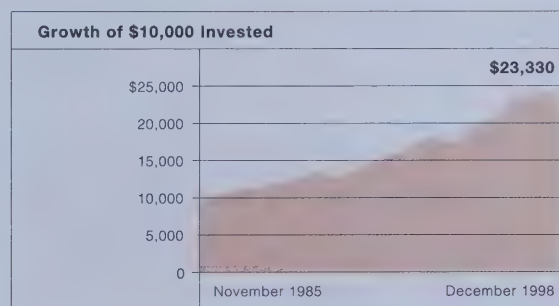
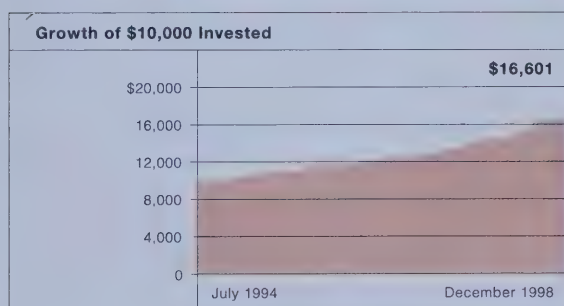
The Fund's traditional policy of not investing in common shares, due to their generally high price-to-earnings multiples and lower dividend yields, sheltered the Fund from some of the volatility experienced in the stock market in 1998.

The one component of the Fund that contributed to its weak performance of -1.2% was the 15% invested in investment trust units, a resource-oriented asset class that had a difficult year in 1998. However, we will continue to target this class at 10 to 15% of the Fund, given both their ability to act as a high-yielding inflation hedge and our expectation of steadily increasing income distributions. Despite the Fund's low nominal return, we'd like to stress the Fund paid out an average of 4 cents per month of tax-advantaged income, a very attractive level of after-tax income, relative to other income-generating alternatives such as GICs.

*Statement of Investment Portfolio on Page 34*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	17.2	12.3	-	-

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	-1.2	5.6	5.2	6.8



Risk (Standard Deviation)							
	1	2	3	4	5	6	7
3 yrs.							
5 yrs.	N/A						
Classic Units							
Median							

Risk (Standard Deviation)							
	1	2	3	4	5	6	7
3 yrs.							
5 yrs.							
Classic Units							
Median							

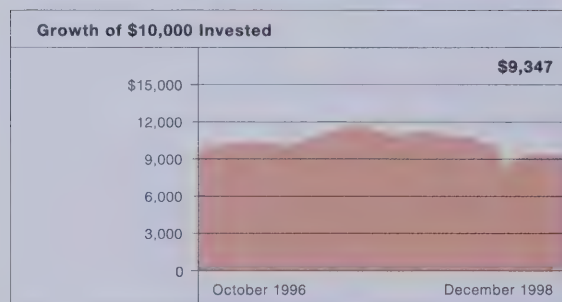
## Guardian Monthly High Income Fund

A confluence of factors served to make 1998 a very difficult year for the investment trust unit (ITU) sector and for Guardian Monthly High Income Fund. Stocks in general had a volatile year in Canada in 1998. As well, investor preference for liquid, large-cap stocks negatively affected the ITU sector, which is mid-to-small-cap in nature. Price weakness caused by the Asian financial crisis affected many of the securities in this sector. Oil, in particular, slumped to a twelve-year low in December, impacting energy-oriented royalty trust units (12% of the Fund at year-end).

As we move farther into 1999, we expect a reduction of issues to benefit the supply/demand fundamentals for ITUs. We will continue to emphasize REITs (real estate investment trusts), given their strong financials and high real yields. Despite the Fund's drop in unit value, it continued to provide investors with a stable 6 cents per month distribution, much of which was tax-deferred income.

*Statement of Investment Portfolio on Page 35*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	-15.8	-	-	-



Risk (Standard Deviation)								
3 yrs.	N/A							
5 yrs.	N/A							
	1	2	3	4	5	6	7	
	Classic Units				Median			

## Guardian Canadian Money Market Fund

G uardian Canadian and U.S. Money Market Funds performed in line with their respective peers in 1998. Guardian U.S. Money Market Fund outperformed its Canadian counterpart (4.7% versus 4.1%) by virtue of marginally higher short-term interest rates in the United States during much of the year.

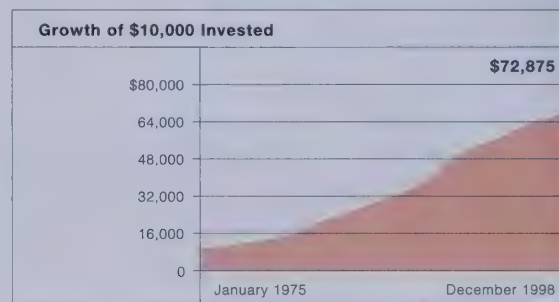
The emphasis for both Funds was to enhance the Funds' returns by investing in high-quality commercial paper, rather than government treasury bills. This highlights the importance of credit research performed by our fixed-income analysts, as we are mindful to not unwisely compromise credit quality to generate higher returns.

In the third quarter, we moderately extended Guardian Canadian Money Market's term-to-maturity when the Bank of Canada was forced to raise short-term administered rates to defend the currency. When relative calm returned to the markets, the Fund benefited from the subsequent drop in short-term rates.

In 1999, the direction of short-term interest rates will be influenced by the U.S. Federal Reserve Board. At this point, we anticipate Federal Reserve activity should continue to support fixed income markets. The Canadian dollar's strength will be a significant determinant for what latitude the Bank of Canada has in following Fed policy.

*Statement of Investment Portfolio on Page 36*

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	4.1	3.4	4.2	6.6



Risk (Standard Deviation)								
3 yrs.								
5 yrs.								
	1	2	3	4	5	6	7	
	Classic Units				Median			



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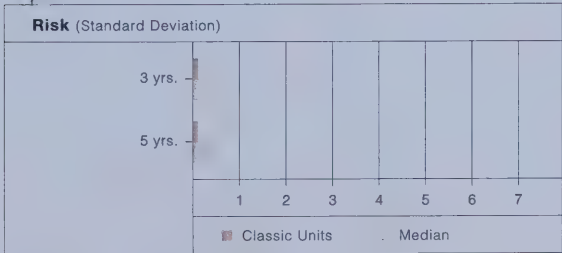
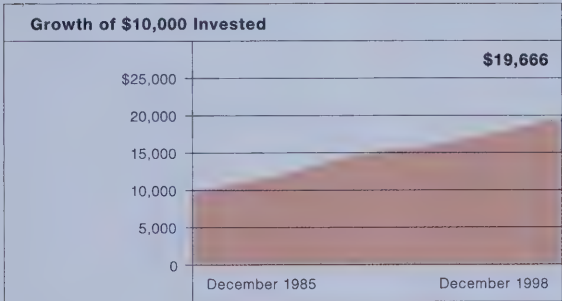
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Statement of Investment Portfolio on Page 37

Rates of Return (%)				
	1 yr.	3 yrs.	5 yrs.	10 yrs.
Classic Units	4.7	4.6	4.5	5.0



# Guardian Growth Equity Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units	Security	Average Cost	Market Value
<b>Conglomerates – 7.3%</b>			
375,000	Edperbrascan Corp.	\$ 8,387,428	\$ 7,987,500
150,000	Onex Corp.	4,351,595	6,525,000
1,275,000	Sherritt International Corp.	9,163,711	3,825,000
		21,902,734	18,337,500
<b>Consumer Products – 2.8%</b>			
405,000	CCL Industries Inc. 'B'	5,650,183	7,188,750
<b>Financial Services – 25.5%</b>			
277,500	Bank of Montreal	13,411,441	17,121,750
415,000	Canadian Imperial Bank of Commerce	12,654,946	15,770,000
560,000	Power Financial Corp.	7,585,784	19,040,000
227,500	Toronto Dominion Bank	12,854,760	12,239,500
		46,506,931	64,171,250
<b>Gold &amp; Silver – 5.0%</b>			
300,000	Barrick Gold Corp.	9,558,061	8,940,000
337,500	Teck Corp. 'B'	8,042,767	3,780,000
		17,600,828	12,720,000
<b>Industrial Products – 20.4%</b>			
450,000	Agra Inc.	4,475,054	4,455,000
217,500	Bombardier Inc. 'B'	2,203,685	4,785,000
557,500	Cae Inc.	6,086,614	4,543,625
430,000	CFM Majestic Inc.	4,844,057	4,386,000
75,000	Magna International Inc. 'A'	5,647,073	7,155,000
125,000	Northern Telecom Ltd.	7,709,699	9,575,000
70,000	Potash Corp. of Saskatchewan Inc.	8,615,253	6,895,000
137,500	Royal Group Technologies Ltd.	4,577,303	4,681,875
200,000	Slater Steel Inc.	2,743,905	1,480,000
423,900	Stelco Inc. 'A'	3,157,601	3,391,200
		50,060,244	51,347,700
<b>Investment Trust Units – 3.1%</b>			
307,500	CPL Long Term Care - REIT	4,937,347	7,718,250
<b>Merchandising – 1.8%</b>			
402,500	Finning Ltd.	6,331,953	4,407,375
<b>Metals &amp; Minerals – 4.4%</b>			
162,500	Alcan Aluminum Ltd.	7,394,897	6,743,750
157,500	Cameco Corp.	8,099,749	4,323,375
		15,494,646	11,067,125

Number of Shares/Units	Security	Average Cost	Market Value
<b>Oil &amp; Gas – 14.2%</b>			
227,500	Alberta Energy Ltd.	\$ 6,524,409	\$ 7,507,500
236,000	Morrison Middlefield Resources Ltd.	1,249,222	1,003,000
175,000	PanCanadian Petroleum Ltd.	4,623,899	3,027,500
607,500	Poco Petroleum Ltd.	8,405,188	7,776,000
212,500	Precision Drilling Corp.	3,905,119	3,708,125
152,500	Talisman Energy Inc.	5,981,596	4,109,875
257,500	Tesco Corp.	4,355,976	1,635,125
600,000	Ulster Petroleum Ltd.	8,040,007	6,900,000
		43,085,416	35,667,125
<b>Paper &amp; Forest Products – 3.1%</b>			
337,500	Fletcher Challenge Canada Ltd. 'A'	7,508,729	5,737,500
527,500	Slocan Forest Products Ltd.	6,828,710	2,004,500
		14,337,439	7,742,000
<b>Real Estate &amp; Construction – 2.8%</b>			
227,500	Trizec Hahn Corp.	6,744,530	7,166,250
<b>Transportation &amp; Environmental Services – 1.2%</b>			
37,500	Canadian National Railway Company	2,762,148	2,990,625
<b>Utilities – 3.0%</b>			
137,500	Atco Ltd. Cl. 1	2,749,954	5,362,500
150,000	Call-Net Enterprises Inc. 'B'	2,309,154	2,062,500
		5,059,108	7,425,000
<b>Total investments – 94.6%</b>		<b>240,473,507</b>	<b>237,948,950</b>
<b>Short-term notes – 4.8%</b>		<b>12,216,563</b>	<b>12,216,563</b>
<b>Other net assets – 0.6%</b>		<b>1,479,707</b>	<b>1,479,707</b>
<b>Total net assets – 100.0%</b>		<b>\$ 254,169,777</b>	<b>\$ 251,645,220</b>

The accompanying notes are an integral part of these financial statements.



# Guardian Enterprise Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value	Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Communications &amp; Media – 2.8%</b>				<b>Metals &amp; Minerals – 2.0%</b>			
423,300	G.T.C. Transcontinental Group Ltd. 'A' \$	4,584,819 \$	6,370,665	1,317,700	Aur Resources Inc.	\$ 7,442,066 \$	3,426,020
<b>Conglomerates – 3.9%</b>				189,900	Major Drilling Group International Inc.	5,347,837	977,985
1,052,700	Harrowston Inc. 'A'	6,309,412	5,316,135			12,789,903	4,404,005
81,200	Onex Corp.	1,943,944	3,532,200	<b>Oil &amp; Gas – 12.2%</b>			
		8,253,356	8,848,335	2,096,700	Beau Canada Exploration Ltd.	5,328,145	4,046,631
<b>Consumer Products – 9.5%</b>				202,800	Berkley Petroleum Corp.	1,969,010	2,352,480
102,800	A.L. Van Houtte Ltd.	2,357,834	3,027,460	190,400	Morrison Middlefield Resources Ltd.	1,625,503	809,200
279,600	Allelix Biopharmaceuticals Inc.	3,214,611	1,171,524	684,600	Newport Petroleum Corp.	4,520,781	3,594,150
324,200	Fantom Technologies Inc.	3,514,687	4,992,680	486,500	Rio Alto Exploration Ltd.	4,900,138	7,297,500
279,900	Patheon Inc.	900,909	1,150,389	493,000	Ryan Energy Technologies Inc.	3,941,809	1,306,450
124,900	QLT Phototherapeutics Inc.	2,954,724	4,421,460	290,300	Tesco Corp.	4,596,142	1,843,405
456,100	Shermag Inc.	5,085,174	6,522,230	493,700	Tri-Link Resources Ltd.	10,902,120	6,146,565
		18,027,939	21,285,743			37,783,648	27,396,381
<b>Financial Services – 7.1%</b>				<b>Real Estate &amp; Construction – 6.1%</b>			
238,600	AGF Management Ltd. 'B'	3,616,306	5,535,520	552,200	Oxford Properties Group Inc.	7,041,884	10,050,040
514,100	C.I. Fund Management Inc.	6,013,035	7,197,400	615,300	Samoth Capital Corp.	3,592,988	861,420
458,200	Equisure Financial Network Inc.	4,026,033	3,207,400	\$ 763,200	Samoth Capital Corp. Cvt. Debenture 7.250% due December 31, 2004	763,200	554,274
		13,655,374	15,940,320	471,600	UniHost Corp.	4,926,306	2,122,200
<b>Gold &amp; Silver – 2.4%</b>						16,324,378	13,587,934
771,500	IAMGOLD International African Mining Gold Corp.	3,597,973	3,086,000	<b>Technology – 15.5%</b>			
262,600	Southern Resources Ltd.	2,711,255	2,179,580	294,400	C-MAC Industries Inc.	3,822,559	7,433,600
		6,309,228	5,265,580	151,800	Certicom Corp.	4,657,609	2,254,230
<b>Industrial Products – 20.5%</b>				309,000	Dy4 Systems Inc.	2,826,298	3,167,250
218,000	ADS Inc.	2,805,037	603,860	12,400	JDS Fitel Inc.	220,399	471,200
219,800	Agra Inc.	2,467,638	2,176,020	246,100	Leitch Technology Corp.	7,182,256	9,819,390
250,000	Azcar Technologies Inc.	1,135,000	312,500	128,400	MDSI Mobile Data Solutions Inc.	2,519,760	3,531,000
694,800	CFM Majestic Inc.	7,702,033	7,086,960	189,500	Mosaid Technologies Inc.	3,310,515	1,345,450
147,900	Datamirror Corp.	1,601,068	1,626,900	118,000	Open Text Corp.	2,620,294	4,454,500
239,300	Husky Injection Molding Systems Ltd.	2,512,650	3,493,780	110,700	Rand A Technology Corp.	1,811,748	2,197,395
81,100	Intertape Polymer Group Inc.	3,060,777	3,162,900			28,971,438	34,674,015
67,000	Linamar Corp.	842,466	1,742,000	<b>Transportation &amp; Environmental Services – 4.7%</b>			
349,100	Maax Inc.	3,606,812	5,864,880	531,000	Newalta Corp.	3,692,547	1,593,000
189,100	Spectra Premium Industries Inc.	3,407,945	3,923,825	150,300	Trojan Technologies Inc.	4,042,759	5,222,925
120,700	Stackpole Ltd.	2,130,805	1,569,100	140,000	Zenon Environmental Inc.	2,193,453	3,710,000
189,800	Stantec Inc.	2,200,740	1,945,450			9,928,759	10,525,925
208,500	Tesma International Inc. 'A'	4,129,593	4,222,125	<b>Utilities – 0.8%</b>			
114,900	Unican Security Systems Ltd. 'B'	3,933,309	4,136,400	135,100	Call-Net Enterprises Inc. 'B'	2,464,464	1,857,625
553,100	Westaim Corp.	4,542,197	4,092,940	<b>Foreign Securities – 3.3%</b>			
		46,078,070	45,959,640	292,500	Lithia Motors Inc. 'A'	6,480,915	7,400,089
<b>Merchandising – 2.9%</b>				<b>Total investments – 93.7%</b>			
437,700	Caldwell Partners International Inc.	2,664,049	3,173,325	<b>Short-term notes – 6.2%</b>			
261,800	Clublink Corp.	2,882,413	2,788,170	<b>Other net assets – 0.1%</b>			
400,800	RTO Enterprises Inc.	1,520,341	496,992	<b>Total net assets – 100.0%</b>			
		7,066,803	6,458,487	<b>\$ 232,780,151 \$ 224,035,801</b>			

The accompanying notes are an integral part of these financial statements.

# Guardian American Large Cap Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units	Security	Average Cost	Market Value	Number of Shares/Units	Security	Average Cost	Market Value
<b>Capital Goods – 2.9%</b>				<b>Financial Services – 17.1%</b>			
200	Honeywell Inc.	\$ 24,344	\$ 23,095	100	Aetna Inc.	\$ 11,142	\$ 12,056
200	Republic Industries Inc.	7,329	4,562	100	Allstate Corp.	5,884	5,903
		31,673	27,657	100	American Express Company	11,226	15,716
<b>Communications &amp; Media – 3.6%</b>				200	Bank One Corp.	15,908	15,659
400	Bell Atlantic Corp.	31,847	34,576	213	Bankamerica Corp.	21,394	19,616
<b>Conglomerates – 0.9%</b>				200	Chase Manhattan Corp.	17,352	21,773
100	TRW Inc.	8,774	8,596	200	First Union Corp.	18,267	18,648
<b>Consumer Cyclical – 1.3%</b>				200	Hartford Financial Services Group Inc.	16,827	16,828
500	Toys "R" Us Inc.	15,068	12,841	100	Mellon Bank Corp.	9,472	10,541
<b>Consumer Products – 23.7%</b>				100	Morgan Stanley Dean Witter & Co.	7,759	10,886
300	American Home Products Corp.	22,985	25,932	300	Washington Mutual Inc.	17,565	17,652
100	Amgen Inc.	12,347	15,840			152,796	165,278
300	Citigroup Inc.	21,389	22,856	<b>Health Care – 4.8%</b>			
300	Conagra Inc.	14,140	14,490	100	Bristol-Myers Squibb Co.	15,850	20,517
200	Diageo PLC ADR	13,371	14,183	200	Johnson & Johnson	23,474	25,721
100	Federated Department Stores Inc.	7,735	6,679			39,324	46,238
200	Fleet Financial Group Inc.	12,292	13,704	<b>Machinery – 1.5%</b>			
100	Heineken NV ADR	7,517	9,232	200	Ingersoll-Rand Co.	12,019	14,490
200	Kimberly-Clark Corp.	15,961	16,713	<b>Manufacturing – 1.1%</b>			
100	Minnesota Mining & Manufacturing Co.	12,977	10,906	200	British Aerospace PLC ADR	9,747	10,488
100	Newell Co.	6,791	6,325	<b>Oil &amp; Gas – 3.4%</b>			
200	PepsiCo, Inc.	11,369	12,535	100	E.I. Du Pont de Nemours & Co.	8,653	8,136
400	Philip Morris Companies Inc.	28,372	32,813	100	Exxon Corp.	10,954	11,212
200	Sears Roebuck & Co.	15,503	13,033	100	Mobil Corp.	11,308	13,359
100	Unilever NV New York Shares	11,183	12,717			30,915	32,707
		213,932	227,958	<b>Retail – 1.8%</b>			
<b>Consumer Staple – 1.1%</b>				300	Office Depot Inc.	12,698	17,077
200	New York Times Co. 'A'	7,726	10,637	<b>Technology – 13.6%</b>			
<b>Cyclical – 9.4%</b>				300	AT&T Corp.	29,195	34,844
200	Gannett Co. Inc.	17,836	19,780	100	Eastman Kodak Co.	11,295	11,040
200	General Motors Corp.	20,608	21,945	300	First Data Corp.	11,961	14,662
200	Hewlett-Packard Co.	19,088	20,949	200	Gulfstream Aerospace Corp.	12,875	16,330
50	Merck & Co. Inc.	9,741	11,308	100	Intel Corp.	12,864	18,179
100	United Technologies Corp.	13,358	16,674	50	International Business Machines Corp.	9,704	14,135
		80,631	90,656	100	Motorola Inc.	7,707	9,363
<b>Energy – 2.5%</b>				200	NCR Corp.	9,639	12,803
100	Duke Energy Corp.	9,850	9,822			105,240	131,356
100	FPL Group Inc.	9,691	9,449	<b>Telecommunications – 3.7%</b>			
100	Southern Company	4,544	4,456	200	Ameritech Corp.	15,726	19,435
		24,085	23,727	200	SBC Communications Inc.	14,855	16,196
						30,581	35,631
				<b>Utilities – 1.7%</b>			
				200	Consolidated Edison Inc.	15,244	16,215
				<b>Total investments – 94.1%</b>			
						822,300	906,128
				<b>Other net assets – 5.9%</b>			
						57,131	57,131
				<b>Total net assets – 100.0%</b>			
					\$	879,431	\$ 963,259

The accompanying notes are an integral part of these financial statements.



# Guardian American Equity Fund Ltd.

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units	Security	Average Cost	Market Value	Number of Shares/Units	Security	Average Cost	Market Value
<b>Communications &amp; Media – 5.9%</b>				<b>Management Companies – 2.0%</b>			
65,133	Nielsen Media Research Inc.	\$ 1,356,068	\$ 1,797,632	40,500	Gartner Group Inc. 'A'	\$ 1,153,232	\$ 1,319,596
29,400	Tele-Communications Liberty Media Group 'A'	1,645,199	2,076,430	<b>Retail – 9.4%</b>			
		3,001,267	3,874,062	25,200	Office Depot Inc.	961,457	1,434,479
<b>Communication Services – 3.1%</b>				24,100	Ross Stores Inc.	1,284,671	1,455,006
34,800	Cincinnati Bell Inc.	1,339,523	2,017,604	46,000	TJX Companies Inc.	1,295,008	2,045,422
<b>Consumer Cyclical – 7.3%</b>				27,200	Wet Seal Inc. 'A'	1,224,300	1,259,013
26,700	Harman International Industries Inc.	1,605,777	1,560,804			4,765,436	6,193,920
59,700	Johns Manville Corp.	1,407,582	1,504,702	<b>Service – 3.9%</b>			
27,700	Tandy Corp.	1,676,113	1,749,353	17,600	American Bankers Insurance Group Inc.	1,128,382	1,305,452
		4,689,472	4,814,859	26,600	World Color Press Inc.	1,189,202	1,241,437
<b>Consumer Products – 9.8%</b>						2,317,584	2,546,889
23,500	American Home Products Corp.	1,922,296	2,031,335	<b>Technology – 16.2%</b>			
12,500	Amgen Inc.	1,506,244	1,980,104	16,900	AT&T Corp.	1,932,395	1,962,892
52,600	General Nutrition Companies Inc.	1,311,736	1,310,588	17,200	Eastman Kodak Co.	1,947,874	1,898,839
77,500	Oakley Inc.	1,135,861	1,128,892	30,100	First Data Corp.	1,239,101	1,471,106
		5,876,137	6,450,919	23,200	Gulfstream Aerospace Corp.	1,436,190	1,894,239
<b>Consumer Staple – 3.0%</b>				31,400	NCR Corp.	1,382,028	2,010,080
26,400	Tricon Global Restaurants Inc.	1,488,353	1,996,106	59,600	Niagara Mohawk Power Corp.	1,238,642	1,473,577
<b>Entertainment/Leisure – 8.6%</b>						9,176,230	10,710,733
49,400	Fox Entertainment Group Inc. 'A'	1,669,519	1,903,094	<b>Telecommunications – 6.6%</b>			
39,000	King World Productions Inc.	1,576,482	1,756,587	54,400	Century Communications Corp. 'A'	1,304,137	2,645,730
43,600	Premier Parks Inc.	1,272,143	2,022,269	33,000	CoreComm Ltd.	717,460	796,933
		4,518,144	5,681,950	33,300	Loral Space & Communications Ltd.	1,276,824	909,461
<b>Financial Services – 20.0%</b>						3,298,421	4,352,124
33,200	Dime Bancorp Inc.	1,462,513	1,336,271	<b>Total investments – 97.5%</b>			
26,600	H&R Block Inc.	1,731,461	1,835,360			<b>55,584,708</b>	<b>64,314,257</b>
59,800	Hibernia Corp. 'A'	1,765,749	1,593,137	<b>Other net assets – 2.5%</b>			
28,519	Household International Inc.	2,164,004	1,732,729			<b>1,679,368</b>	<b>1,679,368</b>
14,900	MBIA Inc.	1,131,206	1,497,841	<b>Total net assets – 100.0%</b>			
17,300	Morgan Stanley Dean Witter & Co.	1,345,929	1,883,352			<b>\$ 57,264,076</b>	<b>\$ 65,993,625</b>
67,900	Sovereign Bancorp Inc.	1,587,860	1,483,583				
20,800	Unum Corp.	1,480,341	1,861,733				
		12,669,063	13,224,006				
<b>Food – 0.6%</b>							
13,400	Aurora Foods Inc.	388,380	407,062				
<b>Industrial Products – 1.1%</b>							
29,300	Emcor Group Inc.	903,466	724,427				

The accompanying notes are an integral part of these financial statements.

# Guardian Global Equity Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units	Security	Average Cost	Market Value	Number of Shares/Units	Security	Average Cost	Market Value
<b>Brazil – 0.0%</b>				<b>Sweden – 1.5%</b>			
1,926	Telecomunicacoes De Sao Paulo S.A. Preferred Shares	\$ 561	\$ 403	12,000	Electrolux AB 'B'	\$ 270,540	\$ 317,390
<b>Finland – 2.5%</b>				<b>Switzerland – 2.5%</b>			
2,800	Nokia Oyj ADR 'A'	254,961	522,015	28	Roche Holdings AG	426,615	522,919
<b>France – 4.9%</b>				<b>United Kingdom – 9.3%</b>			
734	Cap Gemini S.A.	94,827	180,401	17,000	Allied Zurich PLC AG	292,714	391,950
400	Promodes	255,727	445,414	14,098	Bank of Scotland	118,704	258,311
1,000	Vivendi ADR	334,807	397,300	3,200	Elan Corp. PLC ADR	335,862	341,310
		685,361	1,023,115	8,000	Glaxo Wellcome PLC	349,564	424,066
<b>Germany – 5.4%</b>				20,500	Vodafone Group PLC	424,405	510,207
351	Allianz AG	124,986	196,961			1,521,249	1,925,844
2,072	HypoVereinsbank	170,414	248,332	<b>United States – 50.1%</b>			
2,300	Mannesmann AG	336,045	403,453	2,400	America Online Inc.	183,437	537,268
400	Systeme, Anwendungen, Produkte AG	92,183	264,499	3,400	Amgen Inc.	415,008	538,588
		723,628	1,113,245	6,600	Bank of New York Company Inc.	256,851	407,949
<b>Holland – 2.6%</b>				3,055	Bankamerica Corp.	355,176	281,344
3,866	Getronics N.V.	108,052	293,203	5,000	Bell Atlantic Corp.	333,804	432,199
3,000	Randstad Holding N.V.	71,260	247,097	3,450	Cardinal Health Inc.	312,458	400,048
		179,312	540,300	4,500	Cisco Systems Inc.	401,847	640,389
<b>Ireland – 3.7%</b>				3,400	Coca-Cola Co.	404,599	345,699
9,000	Bank of Ireland	291,412	270,250	3,400	Coca-Cola Enterprises Inc.	195,296	184,089
4,600	CBT Group PLC ADR	369,142	105,798	3,000	Eli Lilly & Co.	339,637	403,066
15,000	CRH PLC	317,171	396,723	3,250	Equitable Companies Inc.	358,904	289,027
		977,725	772,771	4,000	Freddie Mac	327,318	391,758
<b>Italy – 3.2%</b>				3,800	General Dynamics Corp.	331,245	336,844
50,000	Istituto Nazionale Delle Assicurazioni	139,936	202,377	2,500	General Electric Co.	277,904	385,479
32,040	Telecom Italia SPA	196,711	417,414	5,100	Gillette Co.	398,460	378,284
50,000	Unione Immobiliare SPA	26,476	39,884	1,600	Intel Corp.	181,461	290,866
		363,123	659,675	4,800	Martin Marietta Materials Inc.	342,691	438,830
<b>Japan – 6.9%</b>				4,900	MCI WorldCom Inc.	345,713	532,496
7,000	Alps Electric Co. Ltd.	188,262	196,814	1,600	Microsoft Corp.	245,799	340,241
10,000	Fujitsu Ltd.	165,526	203,928	2,200	Pfizer Inc.	367,252	423,344
1,900	Nintendo Co. Ltd.	266,241	281,908	2,500	Safeway Inc.	133,948	232,870
30	NTT Data Corp.	164,071	228,046	4,500	SBC Communications Inc.	349,383	364,395
4	NTT Mobile Communication Network Inc.	207,475	252,030	6,000	Service Corp. International	349,580	350,163
2,400	Takefuji Corp.	234,476	268,290	6,000	Tricon Global Restaurants Inc.	314,649	453,661
		1,226,051	1,431,016	3,050	Tyco International Ltd.	270,952	346,650
<b>Portugal – 1.8%</b>				2,990	Warner-Lambert Co.	328,287	342,412
8,000	Banco Comercial Portugues S.A.	373,320	376,542	7,800	Whittman-Hart Inc.	260,063	325,903
<b>Spain – 2.7%</b>						8,381,722	10,393,862
7,000	Centros Comerciales Continente S.A.	330,960	363,636	<b>Total investments – 97.1%</b>		<b>15,919,592</b>	<b>20,152,321</b>
2,782	Telefonica S.A.	204,464	189,588	<b>Other net assets – 2.9%</b>		<b>609,034</b>	<b>609,034</b>
2,782	Telefonica S.A. Bonus Rights	—	—	<b>Total net assets – 100.0%</b>		<b>\$ 16,528,626</b>	<b>\$ 20,761,355</b>
		535,424	553,224				

The accompanying notes are an integral part of these financial statements.



# Guardian Global Small Cap Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units	Security	Average Cost	Market Value	Number of Shares/Units	Security	Average Cost	Market Value
<b>France – 7.3%</b>				<b>Spain – 3.4%</b>			
68	Altran Technologies S.A.	\$ 20,880	\$ 25,116	800	Baron De Ley S.A.	\$ 42,207	\$ 40,176
740	Compagnie des Alpes	38,113	40,329	1,100	Superdiplo S.A.	42,275	47,461
140	Jet Multimedia	34,362	29,575			84,482	87,637
250	Leon de Bruxelles S.A.	28,360	28,770	<b>Sweden – 7.2%</b>			
250	Omnicom S.A.	45,220	42,333	2,000	Fastighets AB Tornet	40,143	44,935
950	Transgene S.A. ADR	21,727	22,396	1,400	Maldata AB 'B'	35,252	43,532
		188,662	188,519	2,700	Nobel Biocare AB	58,916	56,311
<b>Germany – 4.4%</b>				1,700	Ticket Travel Group AB	33,418	40,129
105	AIXTRON AG	27,345	29,557			167,729	184,907
100	Brokat Infosystems AG	16,083	22,868	<b>Switzerland – 6.0%</b>			
320	DIS Deutscher Industrie Service AG	25,449	22,923	28	Banca Del Gottardo 'B'	34,042	38,907
1,000	Koenig & Bauer AG Preferred Shares	32,627	37,195	125	Selecta Group	42,335	52,929
		101,504	112,543	29	SIG Schweizerische Industrie-Gesellschaft Holding AG	27,976	26,175
<b>Holland – 2.4%</b>				90	Valora Holding AG	36,360	37,257
30	EM. TV & Merchandising AG	17,238	26,340			140,713	155,268
1,350	Samas Groep N.V.	42,933	36,991	<b>United Kingdom – 4.9%</b>			
		60,171	63,331	5,100	Autonomy Corp. PLC	29,688	29,324
<b>Hong Kong – 2.9%</b>				3,000	Jurys Hotel Group PLC	35,015	34,737
6,000	Hengan International Group Co. Ltd.	3,355	3,356	870	Shire Pharmaceuticals Group PLC ADR	29,845	26,930
116,000	Jiangsu Expressway Company Ltd. 'H'	62,286	38,816	1,950	Smallworldwide PLC ADR	30,103	36,065
24,000	Ng Fung Hong Ltd.	28,383	33,026			124,651	127,056
		94,024	75,198	<b>United States – 45.0%</b>			
<b>Israel – 1.6%</b>				700	Anesta Corp.	24,548	25,894
1,400	Blue Square-Israel Ltd. ADR	27,611	22,271	1,200	Artesyn Technologies Inc.	25,746	26,449
290	New Dimension Software Ltd.	11,099	20,010	400	Bright Horizons Family Solutions Inc.	13,470	16,253
		38,710	42,281	500	Cheesecake Factory Inc.	16,198	22,520
<b>Italy – 2.0%</b>				250	ChoicePoint Inc.	21,937	24,533
7,000	Interpump Group SPA	43,660	51,921	1,000	CHS Electronics Inc.	18,047	26,066
<b>Japan – 4.3%</b>				1,700	Comfort Systems USA Inc.	45,022	46,429
2,000	Hokuto Corp.	60,703	74,525	1,000	Correctional Properties Trust	30,002	27,888
800	Nippon System Development	27,461	37,940	900	CSK Auto Corp.	35,746	34,844
		88,164	112,465	300	Cumulus Media Inc. 'A'	6,983	7,302
<b>Malaysia – 3.2%</b>				500	Dave & Buster's Inc.	14,738	17,633
14,000	Berjaya Sports Toto Bhd	36,662	21,421	300	Education Management Corp.	8,822	10,752
46,000	IOI Corporated Bhd	41,406	32,370	400	Family Golf Centers Inc.	12,121	12,266
11,000	Tenaga Nasional Bhd	67,426	27,697	600	Hanover Compressor Co.	22,669	23,459
		145,494	81,488	1,000	ICG Communications Inc.	31,801	32,583
<b>Norway – 3.1%</b>				150	Infoseek Corp.	7,967	10,982
2,600	Merkantildata ASA	38,129	39,663	700	Inhale Therapeutic Systems Inc.	32,874	35,151
800	Tomra Systems ASA	33,352	40,680	900	Integrated Electrical Services Inc.	23,840	30,532
		71,481	80,343	200	International Telecommunication Data Systems Inc.	3,713	4,523
				1,200	Micromuse Inc.	29,236	35,073
				1,100	MMC Networks Inc.	19,090	21,609

# Guardian Global Small Cap Fund (cont.)

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units	Security	Average Cost	Market Value
<b>United States (cont.)</b>			
1,200	Ocular Sciences Inc.	\$ 37,082	\$ 50,656
800	Oregon Steel Mills Inc.	15,378	14,413
500	Pharmaceutical Product Development Inc.	20,679	23,479
500	Province Healthcare Co.	22,442	27,455
1,300	Quanta Services Inc.	26,669	45,846
700	Rational Software Corp.	22,480	28,443
700	Renal Care Group Inc.	28,845	30,992
1,400	Romac International Inc.	32,808	48,031
2,000	School Specialty Inc.	48,261	65,549
800	Select Appointments Holding Public Ltd. Co. ADR	24,736	26,373
450	Select Comfort Corp.	13,272	18,285
600	SFX Entertainment Inc. 'A'	32,681	50,369
1,200	Southwest Bancorporation of Texas Inc.	27,673	33,119
300	Speedway Motorsports Inc.	10,607	13,110
350	Sunrise Assisted Living Inc.	21,879	27,973
600	Sylvan Learning Systems Inc.	25,455	28,116
2,500	Technology Solutions Co.	28,802	38,095
3,000	UniCapital Corp.	30,774	32,199
700	Visio Corp.	29,551	38,907
500	Visual Networks Inc.	23,204	28,654
		967,848	1,162,805
	<b>Total investments – 97.7%</b>	<b>2,317,293</b>	<b>2,525,762</b>
	<b>Other net assets – 2.3%</b>	<b>60,031</b>	<b>60,031</b>
	<b>Total net assets – 100.0%</b>	<b>\$ 2,377,324</b>	<b>\$ 2,585,793</b>

The accompanying notes are an integral part of these financial statements.



# Guardian Emerging Markets Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units	Security	Average Cost	Market Value	Number of Shares/Units	Security	Average Cost	Market Value
<b>Argentina – 6.8%</b>				<b>Greece – 3.1%</b>			
5,100	Quilmes Industrial S.A. ADR	\$ 75,167	\$ 73,804	2,000	Hellenic Telecommunication Organization S.A. ADR (OTE)	\$ 74,792	\$ 80,460
1,500	Telefonica De Argentina S.A. ADR	75,245	64,686	450	Panafon Hellenic Telecom S.A.	12,568	18,285
1,900	YPF Sociedad Anonima S.A. ADR	86,243	81,936			87,360	98,745
		236,655	220,426	<b>Hong Kong – 3.2%</b>			
<b>Brazil – 18.9%</b>				114,000	Shenzhen Expressway Company Ltd. 'H'	43,473	40,630
3,340,000	Banco Bradesco S.A. Preferred Shares	32,979	28,406	22,000	Yue Yuen Industrial Holdings	62,043	64,033
103,623	Banco Bradesco S.A. Preferred Rights	—	—			105,516	104,663
80,000	Banco Itau S.A. Preferred Shares	63,557	59,914	<b>Hungary – 1.2%</b>			
2,400	Companhia Brasileira De Distribuicao Grupo Pao De Acucar ADR	63,716	57,039	900	MDL Magyar Olaj-es Gazipari Rt.	37,543	37,733
81,000	Companhia Cervejaria Brahma Preferred Shares	60,420	54,289	<b>India – 6.6%</b>			
190,000	Companhia Cimento Portland Itau Preferred Shares	38,121	33,163	1,900	Hindalco Industries Ltd. GDR	39,623	33,503
1,557	Companhia Energetica De Minas Gerais S.A. ADR	79,734	45,466	4,600	Larsen & Toubro GDR	50,494	55,367
2,700	Companhia Paranaense De Energia-Copel ADR Preferred Shares	32,990	29,497	3,810	Mahanagar Telephone Nigam Ltd. GDR	67,348	72,293
2,100,000	Companhia Paranaense De Energia-Copel ADR Preferred 'B' Shares	26,002	23,192	4,100	State Bank of India GDR	99,432	52,650
73,000	Companhia Riograndense De Telecomunicacoes Preferred 'A' Shares	47,476	40,310			256,897	213,813
600,000	Eletropaulo Metropolitana Preferred Shares	41,329	42,652	<b>Israel – 4.7%</b>			
6,100	Souza Cruz S.A.	68,562	61,869	1,700	ECI Telecommunications Ltd.	83,712	91,883
700	Telecomunicacoes Brasileiras S.A. ADR	91,037	78,486	3,100	Supersol Ltd. ADR	52,474	58,227
199,281	Telecomunicacoes De Sao Paulo S.A. Preferred Shares	44,441	41,663			136,186	150,110
206,458	Telesp Celular S.A. Preferred 'B' Shares	30,847	13,916	<b>Korea – 5.3%</b>			
		721,211	609,862	1,758	Samsung Electronics GDR	64,710	104,452
<b>Chile – 3.1%</b>				79	SK Telecom Co. Ltd. ADR	55,764	66,845
3,000	Administradora De Fondos De Pensiones Provida S.A. ADR	67,379	61,234			120,474	171,297
3,200	Quinenco S.A. ADR	45,118	39,252	<b>Malaysia – 4.4%</b>			
		112,497	100,486	15,000	Berjaya Sports Toto Bhd	39,733	22,951
<b>China – 0.9%</b>				80,000	IOI Corporated Bhd	70,591	56,296
3,400	Guangshen Railway Company Ltd. ADR	40,627	29,976	25,000	Tenaga Nasional Bhd	64,466	62,946
<b>Colombia – 0.9%</b>						174,790	142,193
2,000	Banco Ganadero S.A. ADR	29,545	27,790	<b>Mexico – 16.1%</b>			
<b>Czech Republic – 1.4%</b>				7,000	Cemex S.A. De ADR Cvt. 'B'	68,501	53,129
1,300	Ceske Energetické Zavody A.S.	41,807	43,851	1,494	Fomento Economico Mexicano S.A. De ADR Cvt.	73,793	60,991
				30,500	Grupo Financiero Banamex Accival S.A. De Cvt. 'B'	58,514	61,363
				4,900	Grupo Industrial Maseca S.A. De ADR Cvt.	94,701	93,449
				1,500	Grupo Televisa S.A. GDR	63,658	56,924
				14,300	Kimberly-Clark De Mexico S.A. De Cvt. 'A'	85,658	69,265
				1,500	Panamerican Beverages Inc. 'A'	49,601	50,167
				3,900	Pepsi-Gemex S.A. GDR	45,410	44,101
				3,100	Tubos De Acero De Mexico S.A. ADR	37,046	30,896
						576,882	520,285

## Guardian Emerging Markets Fund (cont.)

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units	Security	Average Cost	Market Value
<b>Peru – 3.0%</b>			
1,100	Credicorp Ltd.	\$ 14,127	\$ 14,758
2,300	Santa Isabel S.A. ADR	26,153	23,364
29,800	Telefonica Del Peru S.A. ADR	81,719	57,495
		121,999	95,617
<b>Philippines – 2.1%</b>			
271,000	Benpres Holdings Corp.	63,450	67,438
<b>Poland – 3.1%</b>			
3,900	Bank Handlowy W Warszawie GDR	77,657	73,874
3,400	Telekomunikacja Polska S.A. GDR	26,302	26,718
		103,959	100,592
<b>South Africa – 10.2%</b>			
7,800	ABSA Group Ltd.	56,234	56,973
6,700	Barlow Ltd.	49,144	39,642
5,900	JD Group Ltd.	40,520	40,160
5,300	Naspers Ltd. 'N'	30,740	31,913
5,700	Rembrandt Group Ltd.	55,763	53,721
26,400	Sanlam Ltd.	42,091	40,433
2,500	South African Breweries Ltd.	80,210	64,926
		354,702	327,768
<b>Thailand – 0.8%</b>			
17,000	Bangkok Expressway Public Co. Ltd.	24,330	24,397
<b>Venezuela – 1.3%</b>			
600	Compania Anonima Nacional Telefonos De Venezuela ADR	14,786	16,330
4,400	Mavesa S.A. ADR	28,633	25,299
		43,419	41,629
<b>Total investments – 97.1%</b>		<b>3,389,849</b>	<b>3,128,671</b>
<b>Other net assets – 2.9%</b>		<b>94,199</b>	<b>94,199</b>
<b>Total net assets – 100.0%</b>		<b>\$ 3,484,048</b>	<b>\$ 3,222,870</b>

The accompanying notes are an integral part of these financial statements.

# Guardian Canadian Balanced Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value	Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Bonds &amp; Debentures - Canadian Dollars</b>				<b>Corporate (cont.)</b>			
<b>Federal &amp; Guaranteed – 18.3%</b>				\$ 5,000,000	General Motors Acceptance Corp. Canada 9.300% due February 15, 2000	\$ 5,180,459	\$ 5,206,250
\$ 8,525,000	Asian Development Bank 7.875% due March 11, 2003	\$ 8,944,870	\$ 9,334,875	880,000	General Motors Acceptance Corp. Canada 5.300% due October 20, 2000	880,000	877,800
2,000,000	Government of Canada 7.500% due March 1, 2001	2,088,164	2,108,600	3,000,000	General Motors Acceptance Corp. Canada 7.300% due March 29, 2001	2,994,014	3,116,250
2,260,000	Government of Canada 7.500% due December 1, 2003	2,312,008	2,523,290	1,650,000	Imasco Ltd. 5.680% due November 15, 2005	1,650,000	1,669,800
2,135,000	Government of Canada 8.750% due December 1, 2005	2,622,738	2,616,656	300,000	Luscar Coal Inc. 10.000% due August 17, 2005	300,288	300,000
7,480,000	Government of Canada Coupon June 1, 2006	4,651,645	5,185,211	4,000,000	Nova Gas Transmission Ltd. 9.000% due March 1, 2000	4,159,705	4,162,000
10,990,000	Government of Canada Real Return 4.250% due December 1, 2021	12,165,717	12,377,488	3,000,000	PanCanadian Petroleum Ltd. 10.550% due January 4, 2000	3,149,488	3,150,000
750,000	Government of Canada 8.000% due June 1, 2023	1,014,874	1,035,375	2,500,000	Royal Bank of Canada 10.900% due January 15, 1999	2,506,470	2,506,250
940,000	Government of Canada 8.000% due June 1, 2027	1,265,364	1,320,700	200,000	Royal Bank of Canada Floating rate due October 1, 2083	200,000	194,000
6,000,000	Inter American Development Bank 9.000% due June 10, 2002	6,454,123	6,711,000	3,970,000	TransCanada Pipelines Ltd. 5.580% due September 17, 2001	3,969,896	4,005,848
10,675,000	Inter American Development Bank 7.250% due November 3, 2003	10,274,822	11,571,700	4,000,000	Westcoast Energy Inc. 9.500% due January 10, 2000	4,162,698	4,164,000
6,625,000	International Bank for Reconstruction and Development 8.250% due March 5, 2003	7,056,428	7,370,312			47,184,634	47,528,248
		58,850,753	62,155,207	<b>Total Bonds &amp; Debentures – 36.6% 120,351,724 124,169,153</b>			
<b>Provincial &amp; Guaranteed – 4.3%</b>				<b>Canadian Stocks</b>			
1,490,000	Province of Alberta 5.100% due December 1, 2003	1,502,099	1,498,940	<b>Conglomerates – 0.6%</b>			
6,000,000	Province of Ontario 9.000% due September 15, 2004	7,131,995	7,158,000	630,400	Sherritt International Corp.	4,970,152	1,891,200
4,595,000	Province of Ontario 7.600% due June 2, 2027	5,682,243	5,828,758	<b>Consumer Products – 2.7%</b>			
		14,316,337	14,485,698	376,000	CCL Industries Inc. 'B'	4,049,161	6,674,000
				300,000	Extencicare Inc. 'A'	2,466,873	2,610,000
						6,516,034	9,284,000
<b>Corporate – 14.0%</b>				<b>Financial Services – 0.7%</b>			
4,000,000	Canada Trustco Mortgage 4.650% due December 3, 1999	3,982,171	3,982,000	59,950	Canadian Imperial Bank of Commerce	1,018,895	2,278,100
1,000,000	Canadian Imperial Bank of Commerce 10.375% due January 31, 2000	1,050,668	1,053,500	<b>Gold &amp; Silver – 3.3%</b>			
2,630,000	Chrysler Credit Canada Ltd. 5.310% due October 23, 2000	2,630,000	2,623,425	96,400	Barrick Gold Corp.	3,376,044	2,872,720
2,250,000	Ford Credit Canada Ltd. 8.730% due September 15, 1999	2,300,440	2,300,625	440,268	Battle Mountain Canada Inc.	4,783,147	2,905,769
4,100,000	Ford Credit Canada Ltd. 6.690% due February 14, 2001	4,052,071	4,202,500	665,000	Geomaque Explorations Ltd.	1,533,450	997,500
4,000,000	Gaz Metro 9.900% due February 1, 1999	4,016,266	4,014,000	469,900	Miramar Mining Corp.	2,141,666	610,870
				343,200	Teck Corp. 'B'	8,178,461	3,843,840
						20,012,768	11,230,699
				<b>Industrial Products – 1.5%</b>			
				245,300	Agra Inc.	2,140,316	2,428,470
				149,100	Methanex Corp.	1,518,624	1,192,800
				34,569	Nova Corp.	612,437	691,380
				100,000	Slater Steel Inc.	1,084,000	740,000
						5,355,377	5,052,650



# Guardian Canadian Balanced Fund (cont.)

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Investment Trust Units – 1.4%</b>			
155,700	Athabasca Oil Sands Trust – RTU	\$ 2,935,969	\$ 2,615,760
157,100	Enemark Income Fund – RTU	672,849	498,007
311,700	Luscar Coal Income Fund – ITU	3,393,421	1,527,330
		7,002,239	4,641,097
<b>Merchandising – 1.3%</b>			
686,282	Cara Operations Ltd. 'A'	2,659,168	3,602,980
55,943	Sobeys Canada Inc.	992,988	951,031
		3,652,156	4,554,011
<b>Metals &amp; Minerals – 2.6%</b>			
81,000	Cameco Corp.	3,534,405	2,223,450
90,100	Falconbridge Ltd.	1,671,355	1,486,650
131,800	Inco Ltd.	5,341,742	2,135,160
122,700	Noranda Inc.	2,935,396	1,871,175
78,400	Rio Algom Ltd.	2,065,506	1,285,760
		15,548,404	9,002,195
<b>Oil &amp; Gas – 7.2%</b>			
168,740	Alberta Energy Ltd.	3,796,577	5,568,420
10,300	Anderson Exploration Ltd.	142,037	143,170
30,675	Canadian Hunter Exploration Ltd.	296,014	306,750
449,700	Newport Petroleum Corp.	3,214,489	2,360,925
40,702	Northstar Energy Corp.	1,935,575	1,790,888
259,200	Poco Petroleum Ltd.	2,940,616	3,317,760
117,982	Ranger Oil Ltd.	1,215,294	802,278
108,000	Rigel Energy Corp.	1,370,851	1,080,000
103,000	Suncor Energy Inc.	1,731,012	4,738,000
50,000	Talisman Energy Inc.	1,779,500	1,347,500
221,200	Tesco Corp.	1,974,305	1,404,620
538,900	Vermilion Resources Ltd.	2,986,981	1,535,865
		23,383,251	24,396,176
<b>Paper &amp; Forest Products – 3.9%</b>			
200,000	Alliance Forest Products Inc.	3,871,078	2,920,000
292,300	Cascades Inc.	1,859,614	2,236,095
53,497	Nexfor Inc.	320,982	323,657
395,000	Slocan Forest Products Ltd.	4,794,825	1,501,000
330,000	St. Laurent Paperboard Inc.	5,320,800	3,547,500
312,600	Tembec Inc. 'A'	2,431,198	2,610,210
		18,598,497	13,138,462
<b>Pipelines – 1.9%</b>			
172,848	TransCanada PipeLines Ltd.	3,215,296	3,880,437
82,900	Westcoast Energy Inc.	1,670,345	2,528,450
		4,885,641	6,408,887
<b>Transportation &amp; Environmental Services – 1.4%</b>			
300,000	Laidlaw Inc.	4,879,500	4,635,000
<b>Total Canadian Stocks – 28.5%</b>			
		<b>115,822,914</b>	<b>96,512,477</b>

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>International Stocks</b>			
<b>Argentina – 0.2%</b>			
12,600	Quilmes Industrial S.A. ADR	\$ 184,593	\$ 182,338
3,700	Telefonica De Argentina S.A. ADR	163,494	159,559
4,900	YPF Sociedad Anonima S.A. ADR	191,332	211,308
		539,419	553,205
<b>Brazil – 0.4%</b>			
8,200,000	Banco Bradesco S.A. Preferred Shares	90,739	69,740
339,480	Banco Bradesco S.A. Preferred Rights	—	—
200,000	Banco Itau S.A. Preferred Shares	172,809	149,786
6,100	Companhia Brasileira De Distribuicao		
	Grupo Pao De Acucar ADR	163,922	144,974
212,000	Companhia Cervejaria Brahma		
	Preferred Shares	170,977	142,091
450,000	Companhia Cimento Portland Itau		
	Preferred Shares	94,319	78,544
4,000	Companhia Energetica De Minas		
	Gerais S.A. ADR	158,648	116,776
4,200	Companhia Paranaense De		
	Energia – Copel ADR Preferred Shares	57,005	45,884
7,500,000	Companhia Paranaense De Energia – Copel		
	ADR Preferred 'B' Shares	103,497	82,827
184,000	Companhia Riograndense De		
	Telecomunicacoes Preferred 'A' Shares	115,028	101,602
1,380,000	Eletropaulo Metropolitana Preferred Shares	96,835	98,099
14,800	Souza Cruz S.A.	178,343	150,108
1,600	Telecomunicacoes Brasileiras S.A. ADR	206,661	179,396
490,000	Telecomunicacoes De Sao Paulo S.A.		
	Preferred Shares	136,193	102,444
722,500	Telesp Celular S.A. Preferred 'B' Shares	105,829	48,700
		1,850,805	1,510,971
<b>Chile – 0.1%</b>			
7,600	Administradora De Fondos De		
	Pensiones Provida S.A. ADR	170,249	155,126
7,800	Quinenco S.A. ADR	115,471	95,678
		285,720	250,804
<b>China – 0.0%</b>			
7,800	Guangshen Railway Company Ltd. ADR	101,026	68,769
<b>Colombia – 0.0%</b>			
5,200	Banco Ganadero S.A. ADR	77,648	72,253
<b>Czech Republic – 0.0%</b>			
3,300	Ceske Energeticke Zavody A.S.	103,451	111,315
<b>France – 0.6%</b>			
12,500	Alcatel Alsthom Cie Gen D'Elec.	422,557	468,385
4,100	Elf Aquitaine S.A. ADR	379,697	355,975
6,000	Rhone-Poulenc S.A. ADR	421,343	462,290
6,100	Societe Generale ADR	248,783	302,667
6,000	Vivendi ADR	408,613	477,009
		1,880,993	2,066,326

# Guardian Canadian Balanced Fund (cont.)

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Germany – 0.3%</b>			
2,110	DaimlerChrysler AG	\$ 274,702	\$ 310,786
3,000	Deutsche Bank AG ADR	283,979	270,658
4,400	Hoechst AG ADR	290,230	276,607
1,700	Mannesmann AG	257,229	298,770
		1,106,140	1,156,821
<b>Greece – 0.1%</b>			
4,311	Hellenic Telecommunication Organization S.A.	154,650	173,432
500	Hellenic Telecommunication Organization S.A. ADR	8,871	10,206
1,400	Panafon Hellenic Telecom S.A.	39,102	56,885
		202,623	240,523
<b>Holland – 0.2%</b>			
13,000	ABN AMRO Holding N.V. ADR	381,342	433,541
3,800	Royal Dutch Petroleum Co. ADR New York Shares	274,071	278,945
		655,413	712,486
<b>Hong Kong – 0.1%</b>			
278,000	Shenzhen Expressway Company Ltd. 'H'	110,298	99,079
56,000	Yue Yuen Industrial Holdings	153,974	162,994
		264,272	262,073
<b>Hungary – 0.0%</b>			
2,100	MOL Magyar Olaj-es Gazipari Rt.	85,533	88,044
<b>India – 0.2%</b>			
4,800	Hindalco Industries Ltd. GDR	104,211	84,638
11,500	Larsen & Toubro GDR	138,037	138,419
9,400	Mahanagar Telephone Nigam Ltd. GDR	176,548	178,361
11,800	State Bank of India GDR	193,436	151,528
		612,232	552,946
<b>Israel – 0.1%</b>			
4,200	ECI Telecommunications Ltd.	209,172	227,005
7,800	Supersol Ltd. ADR	126,815	146,507
		335,987	373,512
<b>Japan – 0.2%</b>			
4,000	Ricoh Company Ltd.	278,855	282,864
4,000	Sony Corp. ADR	401,432	441,590
		680,287	724,454
<b>Korea – 0.2%</b>			
2,277	Samsung Electronics GDS	139,552	54,395
4,190	Samsung Electronics GDR	132,085	248,950
16,205	SK Telecom Co. Ltd. ADR	209,614	253,142
		481,251	556,487
<b>Malaysia – 0.1%</b>			
46,000	Berjaya Sports Toto Bhd	117,026	70,383
100,000	IOI Corporated Bhd	90,014	70,371
12,000	Tenaga Nasional Bhd	75,083	30,214
		282,123	170,968

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Mexico – 0.4%</b>			
16,170	Cemex S.A. De ADR Cvt. 'B'	\$ 160,160	\$ 122,728
100	Consortio Ara S.A.	657	364
3,800	Fomento Economico Mexicano S.A. De ADR Cvt.	149,983	155,132
76,000	Grupo Financiero Banamex Accival S.A. De Cvt. 'B'	222,165	152,904
12,300	Grupo Industrial Maseca S.A. De ADR Cvt.	233,313	234,576
3,600	Grupo Televisa S.A. GDR	158,112	136,617
36,300	Kimberly-Clark De Mexico S.A. De Cvt. 'A'	224,017	175,828
3,600	Panamerican Beverages Inc. 'A'	116,525	120,400
9,700	Pepsi-Gemex S.A. GDR	111,865	109,688
7,600	Tubos De Acero De Mexico S.A. ADR	133,085	75,745
		1,509,882	1,283,982
<b>Peru – 0.1%</b>			
3,800	Credicorp Ltd.	48,802	50,982
5,700	Santa Isabel S.A. ADR	66,349	57,901
7,315	Telefonica Del Peru S.A. ADR	176,779	142,310
		291,930	251,193
<b>Philippines – 0.0%</b>			
601,000	Benpres Holdings Corp.	139,214	149,559
<b>Poland – 0.1%</b>			
9,700	Bank Handlowy W Warszawie GDR	227,690	193,349
8,100	Telekomunikacja Polska S.A. GDR	61,694	63,651
		289,384	257,000
<b>Russia – 0.0%</b>			
3,000	AO Tatneft ADR	99,504	8,855
<b>Singapore – 0.0%</b>			
269	Sembcorp Industries Ltd.	273	470
<b>South Africa – 0.2%</b>			
19,800	ABSA Group Ltd.	174,955	144,624
16,800	Barlow Ltd.	132,776	99,400
15,100	JD Group Ltd.	146,850	102,783
13,900	Naspers Ltd. 'N'	79,223	83,697
14,500	Rembrandt Group Ltd.	147,353	136,660
65,100	Sanlam Ltd.	104,564	99,703
6,300	South African Breweries Ltd.	199,337	163,614
		985,058	830,481
<b>Spain – 0.1%</b>			
11,000	Endesa S.A. ADR	433,119	455,390
<b>Sweden – 0.1%</b>			
10,000	Astra AB ADR 'B'	243,910	317,209
<b>Switzerland – 0.3%</b>			
2,600	Nestle S.A. ADR	422,701	433,939
3,100	Novartis AG	428,634	467,195
		851,335	901,134

# Guardian Canadian Balanced Fund (cont.)

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Taiwan – 0.0%</b>			
440	China Steel Corp. GDR	\$ 9,538	\$ 8,214
<b>Thailand – 0.0%</b>			
88,500	Bangkok Expressway Public Co. Ltd.	126,319	127,004
<b>United Kingdom – 0.6%</b>			
20,700	Allied Domecq PLC ADR	296,902	293,271
112	Bank of Scotland	—	2,052
3,100	Cadbury Schweppes PLC ADR	282,884	328,567
20,500	General Electric Co. PLC ADR	261,618	278,965
800	HSBC Holdings PLC ADR	297,982	305,875
5,200	National Power PLC ADR	280,074	293,014
6,800	Unilever PLC ADR	403,370	469,190
		1,822,830	1,970,934
<b>United States – 1.6%</b>			
3,600	Ameritech Corp.	285,161	349,822
2,800	Bankamerica Corp.	247,572	257,861
6,300	Citigroup Inc.	428,455	479,976
4,300	Diageo PLC ADR	280,639	304,935
4,700	E.I. Du Pont de Nemours & Co.	420,738	382,392
3,000	ENI SPA ADR	283,943	311,643
2,100	General Electric Company	283,984	323,803
1,800	Heineken NV ADR	146,828	166,176
1,300	International Business Machines Corp.	296,033	367,513
3,500	Johnson & Johnson	431,368	450,119
1,700	Lockheed Martin Corp.	287,968	220,910
2,100	Merck & Co. Inc.	446,254	474,940
3,800	Mobil Corp.	445,586	507,637
5,200	Philip Morris Companies Inc.	417,461	426,564
4,000	Sears Roebuck & Co.	285,671	260,661
		4,987,661	5,284,952
<b>Venezuela – 0.0%</b>			
1,800	Compania Anonima Nacional Telefonos De Venezuela ADR	69,672	48,989
14,000	Mavesa S.A. ADR	91,104	80,498
		160,776	129,487
<b>Total International Stocks – 6.3%</b>		<b>21,495,656</b>	<b>21,447,821</b>
<b>Total investments – 71.4%</b>		<b>257,670,294</b>	<b>242,129,451</b>
<b>Short-term notes – 27.1%</b>		<b>92,131,578</b>	<b>92,131,578</b>
<b>Other net assets – 1.5%</b>		<b>5,117,468</b>	<b>5,117,468</b>
<b>Total net assets – 100.0%</b>		<b>\$ 354,919,340</b>	<b>\$ 339,378,497</b>

The accompanying notes are an integral part of these financial statements.



# Guardian Growth & Income Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value	Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Bonds &amp; Debentures</b>				<b>Corporate (cont.)</b>			
<b>Federal &amp; Guaranteed – 17.2%</b>				\$ 280,000	Imasco Ltd. 5.680% due November 15, 2005	\$ 280,000	\$ 283,360
\$ 1,500,000	Government of Canada 6.500% due August 1, 1999	\$ 1,512,096	\$ 1,513,350	380,000	Toronto Dominion Bank 5.500% due June 17, 2003	379,415	384,370
135,000	Government of Canada 5.500% due February 1, 2000	135,317	135,905	190,000	TransCanada Pipelines Ltd. 5.580% due September 17, 2001	190,447	191,715
100,000	Government of Canada 5.250% due September 1, 2003	99,921	102,020			1,929,840	1,941,908
200,000	Government of Canada 7.500% due December 1, 2003	217,643	223,300	<b>Total Bonds &amp; Debentures – 33.0%</b>			
1,480,000	Government of Canada 8.750% due December 1, 2005	1,783,957	1,813,888	<b>Canadian Stocks</b>			
85,000	Government of Canada 9.750% due June 1, 2021	108,428	135,056	<b>Conglomerates – 2.8%</b>			
485,000	Government of Canada 8.000% due June 1, 2023	631,637	669,543	15,000	Edperbrascan Corp.	383,822	319,500
160,000	Government of Canada 8.000% due June 1, 2027	215,379	224,800	20,400	Jannock Ltd.	374,776	306,000
		4,704,378	4,817,862	57,500	Sherritt International Corp.	361,411	172,500
<b>Provincial &amp; Guaranteed – 8.9%</b>						1,120,009	798,000
120,000	Province of Alberta 5.100% due December 1, 2003	120,975	120,720	<b>Consumer Products – 3.9%</b>			
70,000	Province of Ontario 9.000% due September 15, 2004	83,253	83,510	16,600	CCL Industries Inc. 'B'	304,204	294,650
180,000	Province of Ontario 7.250% due September 27, 2005	197,721	199,080	17,800	Maax Inc.	219,969	299,040
150,000	Province of Ontario 8.250% due December 1, 2005	169,120	177,300	14,300	QLT Phototherapeutics Inc.	329,486	506,220
1,215,000	Province of Ontario 7.600% due June 2, 2027	1,481,385	1,541,227			853,659	1,099,910
370,000	Province of Quebec 5.600% due July 15, 2003	374,438	377,585	<b>Financial Services – 11.5%</b>			
		2,426,892	2,499,422	13,800	AGF Management Ltd. 'B'	292,380	320,160
<b>Corporate – 6.9%</b>				8,500	Bank of Montreal	580,354	524,450
210,000	Chrysler Credit Canada Ltd. 5.310% due October 23, 2000	210,000	209,475	20,000	Mackenzie Financial Corp.	319,844	418,000
150,000	Ford Credit Canada Ltd. 5.780% due September 3, 2002	150,255	151,313	15,200	Power Financial Corp.	330,869	516,800
320,000	General Motors Acceptance Corp. Canada 5.600% due March 10, 2000	319,785	320,800	9,100	Royal Bank of Canada	727,957	696,605
190,000	General Motors Acceptance Corp. Canada 5.450% due April 27, 2000	189,882	190,000	14,000	Toronto Dominion Bank	902,365	753,200
140,000	General Motors Acceptance Corp. Canada 5.900% due September 5, 2000	140,056	141,050			3,153,769	3,229,215
70,000	General Motors Acceptance Corp. Canada 5.300% due October 20, 2000	70,000	69,825	<b>Gold &amp; Silver – 1.1%</b>			
				10,100	Barrick Gold Corp.	286,061	300,980
				<b>Industrial Products – 15.1%</b>			
				30,000	ATS Automation Tooling Systems Inc.	691,800	597,000
				47,400	Cae Inc.	559,466	386,310
				37,800	CFM Majestic Inc.	432,168	385,560
				39,900	Husky Injection Molding Systems Ltd.	418,950	582,540
				17,700	Leitch Technology Corp.	540,846	706,230
				5,900	Magna International Inc. 'A'	530,094	562,860
				4,000	Potash Corp. of Saskatchewan Inc.	519,820	394,000
				85,000	Westaim Corp.	824,617	629,000
						4,517,761	4,243,500

## Guardian Growth & Income Fund (cont.)

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Investment Trust Units – 8.4%</b>			
60,900	Canadian Hotel Income Properties – REIT	\$ 741,592	\$ 487,200
35,000	CPL Long Term Care – REIT	534,853	878,500
167,000	Residential Equities – REIT	909,370	985,300
		2,185,815	2,351,000
<b>Merchandising – 1.1%</b>			
27,200	Finning Ltd.	435,935	297,840
<b>Metals &amp; Minerals – 2.1%</b>			
8,500	Alcan Aluminum Ltd.	383,341	352,750
9,200	Cameco Corp.	370,511	252,540
		753,852	605,290
<b>Oil &amp; Gas – 7.9%</b>			
135,400	Beau Canada Exploration Ltd.	386,915	261,322
10,000	Canadian Natural Resources Ltd.	324,592	230,000
6,600	Ensign Resource Service Group Inc.	200,982	89,100
57,900	Newport Petroleum Corp.	381,573	303,975
21,900	Poco Petroleum Ltd.	331,785	280,320
24,100	Rio Alto Exploration Ltd.	304,130	361,500
50,000	Tesco Corp.	616,221	317,500
29,400	Tri-Link Resources Ltd.	512,666	366,030
		3,058,864	2,209,747
<b>Paper &amp; Forest Products – 1.4%</b>			
23,000	Fletcher Challenge Canada Ltd. 'A'	481,705	391,000
<b>Real Estate &amp; Construction – 4.7%</b>			
38,200	Oxford Properties Group Inc.	746,213	695,240
19,500	Trizec Hahn Corp.	639,395	614,250
		1,385,608	1,309,490
<b>Technology – 1.0%</b>			
1,200	C-MAC Industries Inc.	23,256	30,300
6,400	JDS Fitel Inc.	113,754	243,200
		137,010	273,500
<b>Transportation &amp; Environmental Services – 2.1%</b>			
16,900	Trojan Technologies Inc.	523,900	587,275
<b>Utilities – 1.0%</b>			
20,000	Call-Net Enterprises Inc. 'B'	348,568	275,000
<b>Total Canadian Stocks – 64.1%</b>		<b>19,242,516</b>	<b>17,971,747</b>
<b>Total investments – 97.1%</b>		<b>28,303,626</b>	<b>27,230,939</b>
<b>Short-term notes – 3.5%</b>		<b>992,411</b>	<b>992,411</b>
<b>Other net liabilities – (0.6)%</b>		<b>(177,031)</b>	<b>(177,031)</b>
<b>Total net assets – 100.0%</b>		<b>\$ 29,119,006</b>	<b>\$ 28,046,319</b>

The accompanying notes are an integral part of these financial statements.

# Guardian International Balanced Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>International Bonds</b>			
<b>Deutschemark – 0.0%</b>			
7,500 DM	German 6.000% 10 Year Bond Futures, Bought 3 at 114.320, March 8, 1999	\$ –	\$ 9,919
<b>Dutch Florins – 5.9%*</b>			
4,020,000 DF	International Bank for Reconstruction and Development 6.750% due June 23, 2003	3,380,932	3,691,377
<b>European Currency Unit – 2.3%*</b>			
4,000 ECU	MATIF 10 Year Bond Futures Bought 4 at 111.800, March 15, 1999	–	(2,155)
720,000 ECU	France O.A.T. 5.500% due April 25, 2007	1,139,929	1,447,088
		1,139,929	1,444,933
<b>Italian Lire – 0.0%</b>			
18,000,000 IL	Italian 6.000% 10 Year Bond Futures Bought 9 at 112.120, March 4, 1999	–	24,168
<b>New Zealand Dollar – 1.9%*</b>			
1,500,000 NZD	International Bank for Reconstruction and Development 5.500% due November 3, 2008	1,153,789	1,161,579
<b>Sterling – 2.3%*</b>			
3,000 S	U.K. 7.000% 10 Year Bond Futures, Bought 3 at 116.470, March 29, 1999	–	22,470
500,000 S	Inter American Development Bank 7.125% due November 26, 2004	1,105,579	1,396,459
		1,105,579	1,418,929
<b>U.S. Dollar – 21.2%*</b>			
5,000 US	U.S. 8.000% 5 Year Bond Futures, Sold 5 at 113.258, March 22, 1999	–	(659)
12,000 US	U.S. 8.000% 10 Year Bond Futures, Bought 12 at 119.033, March 22, 1999	–	7,858
6,000 US	U.S. 8.000% 20 Year Bond Futures, Bought 6 at 128.320, March 22, 1999	–	(4,959)
3,100,000 US	Asian Development Bank 7.500% due July 2, 2002	4,570,598	5,093,086
1,500,000 US	Inter American Development Bank 7.500% due April 5, 2005	2,107,150	2,546,045
2,045,000 US	Inter American Development Bank 6.375% due October 22, 2007	3,134,195	3,392,718
1,220,000 US	International Bank for Reconstruction and Development 7.625% due January 19, 2023	1,649,808	2,310,410
		11,461,751	13,344,499
<b>Total International Bonds – 33.6%</b>		<b>18,241,980</b>	<b>21,095,404</b>

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Developed Market Equities – Futures</b>			
<b>Australia – 0.0%</b>			
150 AD	Australia All Ordinaries Index Futures, Bought 6 at 2740.00, March 31, 1999	\$ –	\$ 17,111
<b>European Currency Unit – 0.6%</b>			
660 ECU	DJ Euro Stoxx 50 Index Futures, Bought 66 at 3064.00, March 19, 1999	–	388,821
<b>Hong Kong – 0.0%</b>			
200 HK	Hang Seng Index Futures, Bought 4 at 9950.00, January 28, 1999	–	6,732
<b>Italy – 0.2%</b>			
40,000 IL	Italian Milan MIB 30 Index Futures, Bought 4 at 31720.00, March 19, 1999	–	136,641
<b>Japan – (0.1)%</b>			
55 US	Nikkei 225 Index Futures, Bought 11 at 14800.00, March 11, 1999	–	(90,235)
<b>Portugal – 0.0%</b>			
12,600 PTE	Portugal PSI 20 Index Futures, Bought 126 at 11005.71, January 15, 1999	–	(2,905)
<b>United Kingdom – 0.3%</b>			
270 S	FTSE 100 Index Futures, Bought 27 at 5559.00, March 19, 1999	–	212,312
<b>United States – 0.8%</b>			
5,750 US	Standard & Poor's 500 Index Futures, Bought 23 at 1178.15, March 18, 1999	–	505,625
<b>Total Developed Market Equities – 1.8%</b>		<b>–</b>	<b>1,174,102</b>



## Guardian International Balanced Fund (cont.)

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value	Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>International Stocks</b>				<b>United Kingdom – 0.6%</b>			
<b>Colombia – 0.0%</b>				290	Elan Corp. PLC ADR	\$ 30,068	\$ 30,931
42	Banco De Bogota	\$ 393	\$ 228	14,000	Vodafone Group PLC	293,488	348,434
<b>Finland – 1.0%</b>						323,556	379,365
3,200	Nokia Oyj ADR 'A'	432,075	596,589	<b>United States – 9.0%</b>			
<b>France – 0.5%</b>				4,200	America Online Inc.	476,488	940,220
1,300	Cap Gemini S.A.	307,600	319,511	2,400	Amgen Inc.	304,571	380,180
<b>Germany – 0.4%</b>				3,000	Cardinal Health Inc.	305,438	347,867
425	Systeme, Anwendungen, Produkte AG	296,574	281,030	4,400	Cisco Systems Inc.	456,233	626,158
<b>Hungary – 0.0%</b>				6,000	Compaq Computer Corp.	300,096	385,242
12	Pannonplast Rt.	731	519	2,300	Eli Lilly & Co.	304,683	309,017
<b>Italy – 1.1%</b>				3,000	Freddie Mac	277,366	293,819
42,000	Italgas SPA	300,819	347,928	3,200	General Dynamics Corp.	296,535	283,658
27,800	Telecom Italia SPA	295,728	362,175	2,100	Intel Corp.	316,327	381,761
		596,547	710,103	4,000	Martin Marietta Materials Inc.	306,580	365,692
<b>Malaysia – 0.4%</b>				3,500	MCI WorldCom Inc.	302,329	380,354
40,000	Berjaya Sports Toto Bhd	101,509	61,203	3,000	Medtronic Inc.	299,418	339,528
120,000	IOI Corporation Bhd	105,856	84,445	1,800	Pfizer Inc.	301,790	346,372
30,000	Tenaga Nasional Bhd	77,350	75,535	2,500	Warner-Lambert Co.	286,933	286,298
		284,715	221,183			4,534,787	5,666,166
<b>Pakistan – 0.0%</b>				<b>Total International Stocks – 13.0%</b>			
18,356	Sui Southern Gas Co. Ltd.	22,383	4,566		<b>Total investments – 48.4%</b>	<b>25,076,997</b>	<b>30,459,973</b>
<b>Turkey – 0.0%</b>					<b>Short-term notes – 46.1%</b>	<b>28,990,667</b>	<b>28,990,667</b>
420,000	Netas Northern Electric Telekomunikasyon A.S.	35,656	11,207		<b>Forward currency contracts – 0.3%</b>	<b>–</b>	<b>163,231</b>
					<b>Other net assets – 5.2%</b>	<b>3,253,521</b>	<b>3,253,521</b>
					<b>Total net assets – 100.0%</b>	<b>\$ 57,321,185</b>	<b>\$ 62,867,392</b>

\* Currency hedged by positions in forward currency contracts.

The accompanying notes are an integral part of these financial statements.

## Forward Currency Contracts as at December 31, 1998

### A. Forward contracts to sell foreign currencies for U.S. dollars:

Par Value	Currency	Number of Contracts	Counterparty Credit Rating*	Average Rate	Settlement Date	Unrealized Gain (Loss) Cdn\$
4,550,000	DF	1	A-1+	0.5333	January 15, 1999	\$ 3,963
1,400,000	NZD	1	A-1+	0.5351	January 15, 1999	12,154
535,000	S	1	A-1+	1.6732	January 15, 1999	11,307
780,000	ECU	1	A-1+	1.1796	January 15, 1999	8,491
						35,915

### B. Forward contracts to sell U.S. dollars for Canadian dollars:

14,225,238	US	1	A-1+	1.5473	January 15, 1999	127,316
<b>Unrealized gain on forward currency contracts</b>						<b>\$ 163,231</b>

\* Counterparty credit rating provided by Standard & Poor's

# Guardian Canadian Income Fund

Statement of Investment Portfolio as at December 31, 1998

Par Value	Security	Average Cost	Market Value
<b>Bonds</b>			
<b>Federal &amp; Guaranteed – 13.0%</b>			
\$ 1,000,000	Canada Mortgage & Housing Corp. 5.000% due December 1, 2003	\$ 996,442	\$ 1,002,500
1,490,000	Inter American Development Bank 7.250% due November 3, 2003	1,462,431	1,615,160
		2,458,873	2,617,660
<b>Provincial &amp; Guaranteed – 6.8%</b>			
1,000,000	Province of Newfoundland 5.700% due October 7, 2008	999,339	1,017,500
350,000	Province of Ontario 4.875% due June 2, 2004	348,565	347,375
		1,347,904	1,364,875
<b>Corporate – 73.2%</b>			
1,000,000	Alberta Energy Company Ltd. 8.150% due July 31, 2003	956,425	1,101,500
1,000,000	Alberta Natural Gas Company Ltd. 8.400% due July 15, 2003	976,141	1,116,000
1,000,000	Bank of Nova Scotia 5.400% due April 1, 2003	996,557	1,004,000
1,000,000	Bell Canada 12.375% due June 20, 2000	1,059,541	1,093,500
500,000	Cara Operations Ltd. 5.950% due June 12, 2008	498,562	497,000
1,000,000	Enbridge Pipelines Inc. 5.600% due November 24, 2005	999,311	1,012,000
1,000,000	Ford Credit Canada Ltd. 9.100% due August 11, 1999	1,023,066	1,022,500
250,000	Four Seasons Hotel 6.000% due July 2, 2002	250,050	249,375
500,000	Hudson's Bay Co. 6.350% due December 1, 2003	498,415	497,750
1,000,000	Imasco Ltd. 5.680% due November 15, 2005	1,000,000	1,012,000
1,500,000	IPL Energy Inc. 5.800% due July 29, 2008	1,494,838	1,525,500
250,000	Loewen Group Inc. 6.100% due October 1, 2002	244,795	193,750
500,000	Mutual Life Assurance Canada 5.800% due May 15, 2013	498,460	500,250
1,000,000	New Brunswick Telephone 10.375% due October 16, 1999	1,034,392	1,038,500
1,000,000	PanCanadian Petroleum Ltd. 5.500% due March 17, 2003	998,481	1,003,500
1,300,000	Royal Bank of Canada 11.000% due July 1, 2000	1,396,803	1,407,900
500,000	Talisman Energy Inc. 5.700% due June 2, 2003	498,718	483,750
		14,424,555	14,758,775
	<b>Total investments – 93.0%</b>	<b>18,231,332</b>	<b>18,741,310</b>
	<b>Short-term notes – 4.9%</b>	<b>982,844</b>	<b>982,844</b>
	<b>Other net assets – 2.1%</b>	<b>432,895</b>	<b>432,895</b>
	<b>Total net assets – 100.0%</b>	<b>\$ 19,647,071</b>	<b>\$ 20,157,049</b>

The accompanying notes are an integral part of these financial statements.

# Guardian International Income Fund

Statement of Investment Portfolio as at December 31, 1998

Par Value	Security	Average Cost	Market Value	Par Value	Security	Average Cost	Market Value
<b>Bonds</b>				<b>U.S. Dollar – 39.6%*</b>			
<b>Deutschemark – 1.4%*</b>				40,000 US	U.S. 8.000% 5 Year Bond Futures, Bought 40 at 113.258, March 22, 1999	\$ —	\$ 5,271
80,000 DM	German 6.000% 10 Year Bond Futures, Bought 32 at 114.320, March 8, 1999	\$ —	\$ 105,800	(73,000) US	U.S. 8.000% 10 Year Bond Futures, Sold 73 at 118.727, March 22, 1999	—	(48,095)
2,188,000 DM	Inter American Development Bank 6.750% due April 29, 2003	1,744,325	2,245,570	89,000 US	U.S. 8.000% 20 Year Bond Futures, Bought 89 at 128.320, March 22, 1999	—	(73,562)
		1,744,325	2,351,370	5,500,000 US	Asian Development Bank 7.500% due July 2, 2002	8,343,522	9,036,120
<b>European Currency Unit – 8.7%*</b>				14,500,000 US	Asian Development Bank 6.250% due October 24, 2005	18,680,912	23,555,705
7,300,000 ECU	France O.A.T. 5.500% due April 25, 2007	11,176,829	14,671,867	4,200,000 US	Inter American Development Bank 7.500% due April 5, 2005	6,279,769	7,128,925
<b>French Francs – 3.3%*</b>				15,900,000 US	International Bank for Reconstruction and Development 6.625% due August 21, 2006	21,985,373	26,768,658
18,400,000 FF	France O.A.T. 5.250% due April 25, 2008	5,232,104	5,558,364			55,289,576	66,373,022
<b>Italian Lire – 0.1%</b>				<b>Total investments – 63.3%</b>			
106,000,000 IL	Italian 6.000% 10 Year Bond Futures Bought 53 at 112.120, March 4, 1999	—	142,326			<b>88,244,119</b>	<b>106,149,754</b>
<b>New Zealand Dollars – 3.5%*</b>				<b>Short-term notes – 32.1%</b>			
7,600,000 NZD	International Bank for Reconstruction and Development 5.500% due November 3, 2008	5,929,447	5,885,332			<b>54,248,247</b>	<b>53,926,836</b>
<b>Sterling – 6.7%*</b>				<b>Forward currency contracts – 0.8%</b>			
15,000 S	U.K. 7.000% 10 Year Bond Futures, Bought 15 at 116.470, March 29, 1999	—	99,629			<b>—</b>	<b>1,258,954</b>
3,150,000 S	Inter American Development Bank 7.125% due November 26, 2004	6,646,183	8,797,692	<b>Other net assets – 3.8%</b>			
850,000 S	International Bank for Reconstruction and Development 6.500% due January 7, 2003	2,225,655	2,270,152			<b>6,450,985</b>	<b>6,450,985</b>
		8,871,838	11,167,473	<b>Total net assets – 100.0%</b>			
						<b>\$ 148,943,351</b>	<b>\$ 167,786,529</b>

\* Currency hedged by position in forward currency contract.  
The accompanying notes are an integral part of these financial statements.

## Forward Currency Contracts as at December 31, 1998

### A. Forward contracts to sell foreign currencies for U.S. dollars:

Par Value	Currency	Number of Contracts	Counterparty Credit Rating*	Average Rate	Settlement Date	Unrealized Gain (Loss) Cdn\$
2,400,000	DM	1	A-1+	0.6006	January 15, 1999	\$ 76,787
7,100,000	NZD	1	A-1+	0.5353	January 15, 1999	63,468
4,360,000	S	1	A-1+	1.6738	January 15, 1999	94,549
20,000,000	FF	1	A-1+	0.1793	January 15, 1999	35,332
8,175,000	ECU	1	A-1+	1.1796	January 15, 1999	88,997
						359,133

### B. Forward contracts to sell U.S. dollars for Canadian dollars:

106,676,317	US	1	A-1+	1.5467	January 15, 1999	899,821
<b>Unrealized gain on forward currency contracts</b>						<b>\$ 1,258,954</b>

\* Counterparty credit rating provided by Standard & Poor's



## Guardian Foreign Income Fund

Statement of Investment Portfolio as at December 31, 1998

Par Value	Security	Average Cost	Market Value	Par Value	Security	Average Cost	Market Value
<b>Bonds</b>				<b>U.S. Dollar – 31.9%</b>			
<b>Deutschemark – 2.5%*</b>				12,000 US	U.S. 8.000% 20 Year Bond Futures, Bought 12 at 128.320, March 22, 1999	\$ –	\$ (9,919)
37,500 DM	German 6.000% 10 Year Bond Futures, Bought 15 at 114.528, March 8, 1999	\$ –	\$ 42,430	19,000 US	U.S. 8.000% 10 Year Bond Futures, Bought 19 at 119.631, March 22, 1999	–	(13,824)
980,000 DM	Government of Germany 6.000% due July 4, 2007	989,800	1,028,287	12,000 US	U.S. 8.000% 5 Year Bond Futures, Bought 12 at 113.258, March 22, 1999	–	1,581
		989,800	1,070,717	1,700,000 US	Asian Development Bank 7.500% due July 2, 2002	2,645,924	2,792,983
<b>European Currency Unit – 4.2%*</b>				1,525,000 US	Inter American Development Bank 7.500% due April 5, 2005	2,435,407	2,588,479
890,000 ECU	France O.A.T. 5.500% due April 25, 2007	1,585,073	1,788,762	1,250,000 US	Inter American Development Bank 6.375% due October 22, 2007	1,921,159	2,073,788
<b>French Francs – 2.3%*</b>				950,000 US	Inter American Development Bank 5.750% due February 26, 2008	1,502,915	1,525,825
3,200,000 FF	France O.A.T. 5.250% due April 25, 2008	911,065	966,672	450,000 US	International Bank for Reconstruction and Development 5.500% due January 21, 2003	693,354	704,475
<b>Italian Lire – 0.1%</b>				1,600,000 US	International Bank for Reconstruction and Development 6.625% due August 21, 2006	2,622,436	2,693,701
18,000,000 IL	Italian 6.000% 10 Year Bond Futures, Bought 9 at 112.120, March 4, 1999	–	24,169	555,000 US	U.S. Treasury 7.125% due February 15, 2023	1,040,887	1,046,707
<b>New Zealand Dollars – 2.8%*</b>						12,862,082	13,403,796
1,300,000 NZD	Government of New Zealand 7.000% due July 15, 2009	1,192,597	1,180,726	<b>Total investments – 47.9%</b>		<b>19,177,128</b>	<b>20,143,924</b>
<b>Sterling – 4.1%*</b>				<b>Short-term notes – 44.4%</b>		<b>18,813,819</b>	<b>18,685,928</b>
6,000 S	U.K. 7.000% 10 Year Bond Futures, Bought 6 at 116.470, March 31, 1999	–	39,852	<b>Forward currency contracts – 0.1%</b>		<b>–</b>	<b>47,103</b>
625,000 S	International Bank for Reconstruction and Development 6.500% due January 7, 2003	1,636,511	1,669,230	<b>Other net assets – 7.6%</b>		<b>3,171,152</b>	<b>3,171,152</b>
		1,636,511	1,709,082	<b>Total net assets – 100.0%</b>		<b>\$ 41,162,099</b>	<b>\$ 42,048,107</b>

\* Currency hedged by position in forward currency contract.

The accompanying notes are an integral part of these financial statements.

## Forward Currency Contracts as at December 31, 1998

### Forward contracts to sell foreign currencies for U.S. dollars:

Par Value	Currency	Number of Contracts	Counterparty Credit Rating*	Average Rate	Settlement Date	Unrealized Gain (Loss) Cdn\$
1,130,000	DM	1	A-1+	0.6006	January 15, 1999	\$ 2,333
1,460,000	NZD	1	A-1+	0.5353	January 15, 1999	13,051
670,000	S	1	A-1+	1.6738	January 15, 1999	14,793
3,480,000	FF	1	A-1+	0.1793	January 15, 1999	6,148
990,000	ECU	1	A-1+	1.1796	January 15, 1999	10,778
<b>Unrealized gain on forward currency contracts</b>						<b>\$ 47,103</b>

\* Counterparty credit rating provided by Standard & Poor's

# Guardian Monthly Dividend Fund Ltd.

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value	Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>P1 and P2 Preferred Fixed Rate Retractable/Exchangeable* – 53.2%</b>				<b>Investment Trust Units – 14.5%</b>			
256,500	Bank of Montreal 'B' 5.550% Ser. 3, August 25, 2004	\$ 6,412,500	\$ 7,098,638	350,000	Labrador Iron Ore Trust – RTU	\$ 4,693,376	\$ 3,605,000
150,000	Bank of Nova Scotia 7.100% Ser. 7, July 29, 2002	4,099,452	4,323,750	1,750,000	Luscar Coal Income Fund – ITU	20,555,241	8,575,000
125,000	Bank of Nova Scotia 7.000% Ser. 8, January 29, 2004	3,377,500	3,571,875	500,000	Maximum Energy Trust – RTU	4,264,069	825,000
235,600	Bank of Nova Scotia 6.750% Ser. 9, October 27, 2005	6,253,000	6,738,160	300,000	Morrison Facilities Income Fund – ITU	2,655,205	1,395,000
350,000	Bank of Nova Scotia 6.000% Ser. 11, January 28, 2004	8,689,205	9,765,000	807,500	PrimeWest Energy Trust – RTU	6,996,456	4,077,875
375,000	BCE Inc. 6.400% Ser. P, April 15, 2002	10,053,750	10,153,125	950,000	RioCan Real Estate Investment Trust – REIT	8,382,593	8,930,000
142,500	C.T. Financial Services Inc. 7.350% Ser. B, February 1, 2003	3,889,346	4,114,687	450,000	Taylor Gas Liquids Fund – ITU	5,111,491	1,878,750
372,200	Canadian Imperial Bank of Commerce 5.950% Ser. 14, July 31, 2003	9,737,127	10,375,075	1,000,000	Viking Energy Royalty Trust – RTU	7,316,293	4,300,000
450,000	Canadian Imperial Bank of Commerce 5.650% Ser. 15, July 31, 2004	11,333,371	12,183,750	1,600,000	Westshore Terminals Inc. – ITU	15,714,356	10,000,000
100,000	Canadian Utilities Ltd. 5.300% Ser. R, April 30, 1999	2,479,940	2,505,000			75,689,080	43,586,625
160,000	Cancap Preferred Corp. 5.400%, June 30, 2007	4,000,000	4,160,000	<b>Corporate Bonds – 19.1%</b>			
20,000	Canutilities Holdings Ltd. 7.750% Ser. A, July 1, 2001	540,800	539,000	\$ 2,000,000	Bell Canada 9.200% due June 1, 1999	2,030,188	2,033,000
400,000	CRS NT Ltd. Senior Dividend Shares 5.950% Ser. A, December 31, 2000	10,107,942	10,220,000	3,300,000	Bell Canada 9.375% due December 1, 1999	3,420,907	3,423,750
177,200	Fortis Inc. 5.950% Ser. B, December 1, 2002	4,448,608	4,651,500	8,800,000	Canadian National Railway (Euro) 8.875% due May 21, 2001	9,231,823	9,433,600
77,500	Great West Lifeco Inc. 7.450% Ser. B, December 31, 2002	2,132,800	2,206,812	2,000,000	Canadian Occidental Petroleum Ltd. 10.850% due June 7, 2001	2,131,572	2,201,000
175,000	Great West Lifeco Inc. 7.750% Ser. C, March 31, 2005	4,907,615	5,070,625	2,500,000	Chrysler Credit Canada Ltd. 6.730% due May 28, 1999	2,511,490	2,512,500
244,800	London Insurance Group Inc. 7.250% Ser. D, December 31, 2002	6,592,551	6,774,840	3,594,000	Chrysler Credit Canada Ltd. 5.500% due January 7, 2000	3,582,623	3,598,493
406,300	London Insurance Group Inc. 7.200% Ser. E, December 31, 2002	10,890,646	11,224,038	1,700,000	Consumers Gas Ltd. 9.200% due August 10, 1999	1,742,160	1,739,950
200,000	Nova Scotia Power Inc. 6.000% Ser. A, September 1, 2000	5,117,176	5,150,000	4,000,000	Ford Credit Canada Ltd. 7.850% due May 17, 2000	4,108,481	4,130,000
380,100	Power Financial Corp. 7.000% Ser. C, February 28, 2003	10,384,381	10,642,800	1,700,000	Ford Credit Canada Ltd. 6.860% due February 21, 2001	1,682,383	1,748,875
450,000	Teleglobe Inc. 5.400% Ser. 3, May 1, 2001	11,257,002	11,621,250	500,000	General Motors Acceptance Corp. Canada 8.750% due December 15, 1999	507,121	515,500
400,000	Thirty-five Split Corp. 5.100%, March 31, 2008	9,786,000	8,880,000	3,450,000	General Motors Acceptance Corp. Canada 5.250% due November 14, 2000	3,411,007	3,437,062
75,000	Westcoast Energy Inc. 6.900% Ser. 4, January 1, 2000	1,974,000	1,931,250	3,500,000	Imasco Ltd. 10.250% due December 18, 2001	3,792,562	3,965,500
228,200	Westcoast Energy Inc. 4.900% Ser. 5, October 1, 2001	5,705,000	5,836,215	4,000,000	National Trust Co. 6.875% due September 4, 2001	3,973,685	4,150,000
		154,169,712	159,737,390	1,750,000	New Brunswick Telephone 7.350% due July 23, 2001	1,747,880	1,835,750
<b>P1 and P2 Preferred Floating – 11.0%</b>				4,000,000	TD Mortgage Investment Corp. 6.460% due October 31, 2007	4,000,000	4,120,000
575,000	BCE Inc. 5.280% Ser. S	14,375,000	14,835,000	3,400,000	Thomson Corp. 10.550% due May 10, 2001	3,687,291	3,791,000
290,000	Bombardier Inc. 5.500% Ser. B	7,250,000	7,525,500	4,100,000	TransCanada Pipelines Ltd. 9.950% due January 7, 2002	4,474,242	4,604,300
175,000	Northern Telecom Ltd. 'A' 5.100% Ser. F	4,375,000	4,445,000			56,035,415	57,240,280
250,000	Thompson Corp. 5.000% Ser. C	6,250,700	6,312,500			<b>Total investments – 97.8%</b>	<b>318,144,907</b>
		32,250,700	33,118,000			<b>Other net assets – 2.2%</b>	<b>6,666,355</b>
						<b>Total net assets – 100.0%</b>	<b>\$ 324,811,262</b>
							<b>\$ 300,348,650</b>

\* Retractable at \$25.00 unless otherwise indicated.

The accompanying notes are an integral part of these financial statements.

# Guardian Monthly High Income Fund

Statement of Investment Portfolio as at December 31, 1998

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Bonds</b>			
<b>Corporate – 1.7%</b>			
\$ 12,500,000	Sherritt International Corp. Cvt. Instalment Receipts 6.000% due December 15, 2006	\$ 13,109,861	\$ 8,500,000
<b>Total Bonds – 1.7%</b>		<b>13,109,861</b>	<b>8,500,000</b>
<b>Stocks</b>			
<b>P1 and P2 Preferred Floating – 13.3%</b>			
200,000	Alcan Aluminum Ltd. Ser. E	5,174,000	5,180,000
100,000	Alcan Aluminum Ltd. Ser. F	2,501,500	2,310,000
175,000	Edperbrascan Corp. Ser. II	4,004,438	3,412,500
200,000	Power Corp. Ser. F	9,856,161	9,695,000
375,000	Power Financial Corp. Ser. A	9,411,563	9,046,875
275,000	Quebecor Printing Inc. Ser. A	6,872,643	6,943,750
50,000	Royal Bank of Canada Ser. E	5,040,785	5,075,000
200,000	Thompson Corp. Ser. II	4,926,974	4,710,000
600,000	Thompson Corp. Ser. C	15,162,387	15,150,000
200,000	Trilon Financial Corp. Ser. A	4,686,000	3,900,000
		67,636,451	65,423,125
<b>Investment Trust Units/Other Investments</b>			
<b>Royalty Trust Units – 15.6%</b>			
1,850,000	ARC Energy Trust	17,537,642	11,377,500
472,500	Athabasca Oil Sands Trust	8,419,789	7,938,000
662,500	Canadian Oil Sands Trust	12,941,944	11,759,375
537,500	Freehold Royalty Trust	4,808,717	2,381,125
1,125,000	Labrador Iron Ore Trust	15,814,999	11,587,500
900,000	Maximum Energy Trust	8,272,648	1,485,000
1,275,000	Pengrowth Energy Trust	22,810,138	14,025,000
1,875,000	PrimeWest Energy Trust	16,071,161	9,468,750
1,625,000	Viking Energy Royalty Trust	12,016,138	6,987,500
		118,693,176	77,009,750
<b>Real Estate Investment Trust Units – 42.4%</b>			
325,000	Avista Real Estate Investment Trust	3,282,679	2,388,750
2,687,500	Canadian Hotel Income Properties Investment Trust	27,036,082	21,500,000
1,700,000	Canadian Real Estate Investment Trust	21,429,586	17,935,000
1,442,500	CPL Long Term Care Investment Trust	19,187,236	36,206,750
2,075,000	H & R Real Estate Investment Trust	20,085,931	21,268,750
900,000	Legacy Hotels Real Estate Investment Trust	7,450,554	5,760,000

Number of Shares/Units or Par Value	Security	Average Cost	Market Value
<b>Real Estate Investments Trust Units (cont.)</b>			
975,000	Morguard Real Estate Investment Trust	\$ 9,147,550	\$ 7,848,750
2,327,500	Realfund Real Estate Investment Trust	33,916,134	27,930,000
2,197,000	Residential Equities Real Estate Investment Trust	12,228,221	12,962,300
4,175,000	RioCan Real Estate Investment Trust	38,175,627	39,245,000
1,327,500	Summit Real Estate Investment Trust	19,852,116	16,261,875
		211,791,716	209,307,175
<b>Other Investments – 25.3%</b>			
607,500	KMS Power Income Fund	5,335,013	6,409,125
1,525,000	Koch Pipelines Canada L.P.	14,258,281	8,692,500
2,752,500	Luscar Coal Income Fund	28,693,161	13,487,250
900,000	Middlefield High Income Trust	7,785,094	5,670,000
1,525,000	Morrison Facilities Income Fund	12,932,354	7,091,250
150,000	OPTUS Natural Gas Distribution Income Fund	2,960,960	3,262,500
1,300,000	Pembina Pipeline Income Fund	12,430,260	10,725,000
1,700,000	Rogers Sugar Income Fund	14,717,840	13,940,000
200,000	Sage High Yield Debt Trust	2,874,043	2,280,000
1,950,000	Superior Propane Income Fund	25,836,559	28,860,000
785,000	Taylor Gas Liquids Fund	9,133,475	3,277,375
275,000	Timberwest Timber Trust	3,374,995	2,461,250
3,000,000	Westshore Terminals Inc.	27,073,643	18,750,000
		167,405,678	124,906,250
<b>Total investments – 98.3%</b>		<b>578,636,882</b>	<b>485,146,300</b>
<b>Short-term notes – 0.4%</b>		<b>2,184,167</b>	<b>2,184,167</b>
<b>Other net assets – 1.3%</b>		<b>6,278,458</b>	<b>6,278,458</b>
<b>Total net assets – 100.0%</b>		<b>\$ 587,099,507</b>	<b>\$ 493,608,925</b>

The accompanying notes are an integral part of these financial statements.



# Guardian Canadian Money Market Fund

Statement of Investment Portfolio as at December 31, 1998

Par Value	Security	Cost	Par Value	Security	Cost
<b>Short Term Notes – Corporate</b>			<b>Short Term Notes (cont.)</b>		
\$ 3,400,000	Bombardier Capital Inc. 5.150% due January 7, 1999	\$ 3,383,782	\$ 3,000,000	General Motors Acceptance Corp. Canada 5.100% due January 15, 1999	\$ 2,986,650
200,000	Cami Automotive Inc. 5.200% due January 11, 1999	199,064	5,800,000	John Deere Ltd. 5.130% due January 22, 1999	5,751,512
5,000,000	Cami Automotive Inc. 5.200% due January 22, 1999	4,972,350	1,900,000	LEAF Trust 5.160% due January 8, 1999	1,890,386
3,000,000	Cami Automotive Inc. 5.600% due March 17, 1999	2,918,520	5,000,000	LEAF Trust 5.200% due January 11, 1999	4,978,000
700,000	Canadian Pacific Securities Ltd. 5.150% due January 18, 1999	696,955	5,000,000	MACRO Trust 5.150% due January 6, 1999	4,976,850
5,000,000	Canadian Pacific Securities Ltd. 5.140% due January 22, 1999	4,958,800	1,800,000	MACRO Trust 5.200% due January 8, 1999	1,790,316
2,600,000	Canadian Pacific Securities Ltd. 5.140% due January 26, 1999	2,577,146	300,000	Nova Scotia Power Inc. 5.100% due January 15, 1999	299,082
800,000	Canadian Pacific Securities Ltd. 5.140% due January 27, 1999	795,856	4,500,000	Nova Scotia Power Inc. 5.120% due January 20, 1999	4,477,410
7,000,000	Chrysler Credit Canada Ltd. 5.100% due January 12, 1999	6,978,580	5,000,000	PRIME Trust 5.170% due January 25, 1999	4,976,750
100,000	Chrysler Credit Canada Ltd. 5.100% due January 12, 1999	99,707	3,500,000	PRIME Trust 5.820% due March 8, 1999	3,402,350
1,500,000	CORE Trust 5.170% due January 25, 1999	1,493,025	6,000,000	PURE Trust 5.130% due January 8, 1999	5,973,120
6,000,000	CORE Trust 5.820% due June 7, 1999	5,751,480	400,000	PURE Trust 5.130% due January 13, 1999	398,096
2,100,000	Ford Credit Canada Ltd. 5.130% due January 5, 1999	2,089,437	4,600,000	RAC Trust 5.150% due January 11, 1999	4,568,398
5,000,000	Ford Credit Canada Ltd. 5.110% due January 15, 1999	4,977,700	2,200,000	RAC Trust 5.200% due January 13, 1999	2,189,704
500,000	Ford Credit Canada Ltd. 5.150% due January 27, 1999	497,960	1,000,000	RAC Trust 5.200% due January 21, 1999	994,760
1,100,000	Ford Credit Canada Ltd. 5.180% due February 11, 1999	1,093,477	2,000,000	SAFE Trust 5.200% due January 20, 1999	1,989,520
5,000,000	General Motors Acceptance Corp. Canada 5.130% due January 5, 1999	4,974,850	6,000,000	SAFE Trust 5.250% due August 31, 1999	5,719,500
			1,000,000	Xerox Canada Inc. 5.110% due January 15, 1999	995,540
			1,100,000	Xerox Canada Inc. 5.120% due January 21, 1999	1,092,641
			2,100,000	Xerox Canada Inc. 5.130% due January 22, 1999	2,089,710
			3,800,000	Xerox Canada Inc. 5.130% due January 29, 1999	3,779,290
			<b>Total investments – 98.9%</b>		<b>113,778,274</b>
			<b>Other net assets – 1.1%</b>		<b>1,306,829</b>
			<b>Total net-assets – 100.0%</b>		<b>\$ 115,085,103</b>

The accompanying notes are an integral part of these financial statements.

## Guardian U.S. Money Market Fund

Statement of Investment Portfolio as at December 31, 1998 (In United States Dollars)

Par Value	Security	Cost
<b>Short Term Notes</b>		
<b>Federal &amp; Guaranteed – 6.8%</b>		
\$ 1,000,000	Export Development Corp. 5.100% due January 19, 1999	\$ 995,350
<b>Corporate – 85.6%</b>		
1,000,000	B.C. Telecom Inc. 5.220% due February 5, 1999	989,380
1,000,000	Bank of Montreal 5.200% due January 11, 1999	991,980
900,000	Bombardier Capital Inc. 5.680% due January 8, 1999	894,636
100,000	Bombardier Inc. 5.700% due January 11, 1999	99,465
1,000,000	Cameco Corp. 5.360% due February 2, 1999	991,150
1,000,000	Cami Automotive Inc. 5.380% due February 2, 1999	992,580
1,100,000	Cargill Ltd. 5.250% due February 23, 1999	1,085,436
200,000	Canadian Imperial Bank of Commerce 5.050% due January 15, 1999	199,106
700,000	Canadian Imperial Bank of Commerce 5.300% due January 25, 1999	696,514
1,100,000	Canadian Pacific Securities Ltd. 5.280% due January 14, 1999	1,091,673
1,000,000	CORE Trust 5.600% due February 2, 1999	994,590
200,000	Ford Credit Canada Ltd. 5.350% due February 8, 1999	198,554
400,000	Ford Credit Canada Ltd. 5.050% due February 8, 1999	397,824
500,000	MACRO Trust 5.400% due January 5, 1999	497,090
500,000	PRIME Trust 5.600% due January 29, 1999	497,600
600,000	Rio Tinto Canada Inc. 5.290% due January 22, 1999	596,580
300,000	Rio Tinto Canada Inc. 5.200% due February 4, 1999	297,336
1,100,000	Union Gas Ltd. 5.500% due January 7, 1999	1,097,481
		12,608,975
<b>Total investments – 92.4%</b>		<b>13,604,325</b>
<b>Other net assets – 7.6%</b>		<b>1,127,566</b>
<b>Total net assets – 100.0%</b>		<b>\$ 14,731,891</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Net Assets

	Guardian Canadian Money Market Fund		Guardian U.S. Money Market Fund (In U.S.\$)		Guardian Canadian Income Fund	
As at December 31	1998	1997	1998	1997	1998	1997
<b>Assets</b>						
Investments, at current value	\$ —	\$ —	\$ —	\$ —	\$ 18,741,310	\$ 18,204,210
Short-term notes	113,778,274	62,943,855	13,604,325	15,855,467	982,844	1,194,314
Cash	49,522	246,361	67,611	83,347	69,794	30,462
Receivable for investments sold	—	—	—	—	—	—
Income receivable	591,335	183,716	45,762	54,498	401,952	439,818
Receivable for securities subscribed	1,342,840	810,508	1,050,491	586,026	23,215	59,197
Receivable — management fee rebate	11,515	8,216	1,305	2,071	2,654	7,396
Receivable — return of capital investment	—	—	—	—	—	—
Refundable taxes	—	—	—	—	—	—
Forward and option currency contracts	—	—	—	—	—	—
	115,773,486	64,192,656	14,769,494	16,581,409	20,221,769	19,935,397
<b>Liabilities</b>						
Bank indebtedness	—	—	—	—	—	—
Distribution payable to securityholders	8,370	1,218	7,560	8,572	16,966	21,000
Payable for investments purchased	—	—	—	—	—	—
Management fees payable	92,914	51,210	9,098	10,053	21,856	20,132
Accrued expenses	23,050	31,223	7,332	9,261	14,482	19,045
Payable for securities redeemed	564,049	141,767	13,613	20,610	11,416	49,276
Taxes payable	—	—	—	—	—	—
Forward and option currency contracts	—	—	—	—	—	—
	688,383	225,418	37,603	48,496	64,720	109,453
Net assets representing securityholders' equity	\$ 115,085,103	\$ 63,967,238	\$ 14,731,891	\$ 16,532,913	\$ 20,157,049	\$ 19,825,944
Net asset value per security — Classic Securities	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.16	\$ 10.15
Net asset value per security — Mutual Fund Securities	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.19	\$ 10.18
Investments, including options, at average cost (amortized where applicable)	\$ —	\$ —	\$ —	\$ —	\$ 18,231,332	\$ 17,571,037

The accompanying notes are an integral part of these financial statements.



	Guardian International Income Fund		Guardian Foreign Income Fund		Guardian Monthly Dividend Fund Ltd.		Guardian Monthly High Income Fund	
	1998	1997	1998	1997	1998	1997	1998	1997
	\$ 106,149,754	\$ 119,898,669	\$ 20,143,924	\$ 3,545,114	\$ 293,682,295	\$ 493,702,334	\$ 485,146,300	\$ 456,573,880
	53,926,836	41,219,257	18,685,928	1,702,552	—	—	2,184,167	36,522,864
	4,171,176	3,056,069	2,029,119	382,266	1,164,978	3,177,848	2,182,734	2,043,043
	—	—	—	—	1,485,170	—	1,900,170	105,690
	2,792,612	4,886,129	754,429	116,747	3,032,568	4,350,131	2,716,960	2,847,150
	43,952	491,911	517,350	10,000	3,834	986,216	1,243,977	2,615,384
	11,337	11,168	7,826	3,742	—	—	3,718	920
	—	—	—	—	220,249	1,320,773	1,728,947	3,388,090
	—	—	—	—	1,592,276	3,133,302	—	—
	1,258,954	271,515	47,103	12,835	—	—	—	—
	168,354,621	169,834,718	42,185,679	5,773,256	301,181,370	506,670,604	497,106,973	504,097,021
	—	—	—	—	—	—	—	—
	—	77,391	20,988	5,516	—	1,347,110	—	1,436,381
	—	—	—	286,628	—	1,153,500	1,542,189	1,747,258
	219,873	217,819	49,744	5,717	367,885	600,753	715,274	695,320
	184,575	257,569	17,861	15,601	110,593	190,430	180,322	172,272
	163,644	625,012	48,979	6,000	354,242	1,787,779	1,060,263	1,014,411
	—	—	—	—	—	3,403,302	—	—
	—	—	—	—	—	—	—	—
	568,092	1,177,791	137,572	319,462	832,720	8,482,874	3,498,048	5,065,642
	\$ 167,786,529	\$ 168,656,927	\$ 42,048,107	\$ 5,453,794	\$ 300,348,650	\$ 498,187,730	\$ 493,608,925	\$ 499,031,379
	\$ 10.73	\$ 10.24	\$ 12.18	\$ 11.05	\$ 8.32	\$ 8.91	\$ 7.52	\$ 9.73
	\$ 10.74	\$ 10.24	\$ 12.25	\$ 11.08	\$ 8.18	\$ 8.82	\$ 7.43	\$ 9.69
	\$ 88,244,119	\$ 111,670,399	\$ 19,177,128	\$ 3,345,495	\$ 318,144,907	\$ 494,324,790	\$ 578,636,882	\$ 453,782,568

## Statements of Net Assets

	Guardian Canadian Balanced Fund		Guardian Growth & Income Fund		Guardian International Balanced Fund	
As at December 31	1998	1997	1998	1997	1998	1997
<b>Assets</b>						
Investments, at current value	\$ 242,129,451	\$ 253,268,800	\$ 27,230,939	\$ 9,135,378	\$ 30,459,973	\$ 35,173,831
Short-term notes	92,131,578	123,822,063	992,411	198,840	28,990,667	31,349,195
Cash	2,255,725	296,035	88,640	97,551	8,615,378	8,688,250
Receivable for investments sold	2,227	—	—	—	10,708	—
Income receivable	3,629,522	2,970,082	134,418	44,414	727,009	1,236,546
Receivable for securities subscribed	386,377	2,385,320	5,192	54,694	19,311	145,686
Receivable – management fee rebate	93,668	88,996	168	235	3,931	2,860
Receivable – return of capital investment	3,770	8,047	—	—	—	—
Refundable taxes	—	—	—	—	—	—
Forward and option currency contracts	—	—	—	—	163,231	42,702
	340,632,318	382,839,343	28,451,768	9,531,112	68,990,208	76,639,070
<b>Liabilities</b>						
Bank indebtedness	—	—	—	—	5,889,156	5,260,960
Distribution payable to securityholders	—	183,757	—	607	—	10,949
Payable for investments purchased	198,133	130,553	—	—	3,495	260,859
Management fees payable	553,691	609,150	59,147	18,879	131,369	149,724
Accrued expenses	233,706	325,653	15,315	1,322	40,414	78,807
Payable for securities redeemed	268,291	1,666,334	330,987	9,308	58,382	292,720
Taxes payable	—	—	—	—	—	—
Forward and option currency contracts	—	606,176	—	—	—	—
	1,253,821	3,521,623	405,449	30,116	6,122,816	6,054,019
Net assets representing securityholders' equity	\$ 339,378,497	\$ 379,317,720	\$ 28,046,319	\$ 9,500,996	\$ 62,867,392	\$ 70,585,051
Net asset value per security – Classic Securities	\$ 17.45	\$ 19.31	\$ 5.40	\$ 5.65	\$ 5.80	\$ 5.62
Net asset value per security – Mutual Fund Securities	\$ 17.47	\$ 19.34	\$ 5.35	\$ 5.61	\$ 5.81	\$ 5.61
Investments, including options, at average cost (amortized where applicable)	\$ 257,670,294	\$ 235,822,147	\$ 28,303,626	\$ 9,049,879	\$ 25,076,997	\$ 34,696,102

The accompanying notes are an integral part of these financial statements

	Guardian Growth Equity Fund		Guardian Enterprise Fund		Guardian American Large Cap Fund		Guardian American Equity Fund Ltd.	
	1998	1997	1998	1997	1998	1997	1998	1997
	\$ 237,948,950	\$ 268,907,646	\$ 209,974,744	\$ 270,345,186	\$ 906,128	\$ —	\$ 64,314,257	\$ 54,500,157
	12,216,563	25,572,934	13,898,770	29,945,234	—	—	—	4,969,174
	456,303	145,818	45,208	105,607	106,480	—	2,008,619	170,458
	1,593,000	—	671,832	—	—	—	—	968,923
	412,740	568,818	187,722	124,444	835	—	31,517	44,009
	62,948	822,174	178,363	1,262,019	139	—	36,502	83,163
	10,065	15,082	3,901	23,043	—	—	29,248	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	110,720	—
	—	—	—	—	—	—	—	—
	252,700,569	296,032,472	224,960,540	301,805,533	1,013,582	—	66,530,863	60,735,884
	—	—	—	—	—	—	—	—
	—	29,110	—	—	—	—	—	—
	—	803,250	75,342	—	41,422	—	378,120	326,161
	509,302	589,229	399,917	536,569	1,735	—	101,705	92,557
	96,634	149,738	159,858	231,235	7,073	—	38,913	68,660
	449,413	511,073	289,622	576,040	93	—	18,500	81,349
	—	—	—	—	—	—	—	20,000
	—	—	—	—	—	—	—	—
	1,055,349	2,082,400	924,739	1,343,844	50,323	—	537,238	588,727
	\$ 251,645,220	\$ 293,950,072	\$ 224,035,801	\$ 300,461,689	\$ 963,259	\$ —	\$ 65,993,625	\$ 60,147,157
	\$ 10.25	\$ 11.32	\$ 17.34	\$ 20.07	\$ 10.99	\$ —	\$ 13.84	\$ 12.48
	\$ 10.17	\$ 11.30	\$ 17.04	\$ 19.85	\$ 10.95	\$ —	\$ 13.53	\$ 12.32
	\$ 240,473,507	\$ 247,721,269	\$ 218,719,094	\$ 246,692,370	\$ 822,300	\$ —	\$ 55,584,708	\$ 47,055,642

## Statements of Net Assets

	Guardian Global Equity Fund		Guardian Global Small Cap Fund		Guardian Emerging Markets Fund	
<i>As at December 31</i>	1998	1997	1998	1997	1998	1997
<b>Assets</b>						
Investments, at current value	\$ 20,152,321	\$ 14,898,428	\$ 2,525,762	\$ 3,488,596	\$ 3,128,671	\$ 6,825,953
Short-term notes	—	—	—	—	—	—
Cash	659,959	479,483	20,878	88,974	183,513	859,301
Receivable for investments sold	—	—	68,796	—	3,260	139,641
Income receivable	8,029	19,434	1,020	17,863	5,015	47,986
Receivable for securities subscribed	25,759	51,447	—	514	62	1,662
Receivable – management fee rebate	806	22,844	11,393	4,665	6,406	10,216
Receivable – return of capital investment	—	—	—	—	—	—
Refundable taxes	—	—	—	75,925	—	—
Forward and option currency contracts	—	29,650	—	32,251	—	—
	20,846,874	15,501,286	2,627,849	3,708,788	3,326,927	7,884,759
<b>Liabilities</b>						
Bank indebtedness	—	—	9,702	—	15,563	—
Distribution payable to securityholders	—	—	—	—	—	—
Payable for investments purchased	—	12,230	7,906	—	61,125	225,961
Management fees payable	36,050	25,991	4,737	—	6,896	14,896
Accrued expenses	19,336	42,499	16,300	24,805	19,440	33,853
Payable for securities redeemed	30,133	56,866	3,411	3,073	1,033	13,907
Taxes payable	—	—	—	—	—	—
Forward and option currency contracts	—	—	—	—	—	—
	85,519	137,586	42,056	27,878	104,057	288,617
Net assets representing securityholders' equity	\$ 20,761,355	\$ 15,363,700	\$ 2,585,793	\$ 3,680,910	\$ 3,222,870	\$ 7,596,142
Net asset value per security – Classic Securities	\$ 9.59	\$ 7.24	\$ 7.58	\$ 7.37	\$ 7.59	\$ 10.47
Net asset value per security – Mutual Fund Securities	\$ 9.42	\$ 7.16	\$ 7.46	\$ 7.30	\$ 7.35	\$ 10.35
Investments, including options, at average cost (amortized where applicable)	\$ 15,919,592	\$ 12,811,322	\$ 2,317,293	\$ 4,242,862	\$ 3,389,849	\$ 6,909,446

The accompanying notes are an integral part of these financial statements.



## Statements of Net Income (Loss)

	Guardian Canadian Money Market Fund		Guardian U.S. Money Market Fund (In U.S.\$)		Guardian Canadian Income Fund	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
<b>Income</b>						
Dividends	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Less: Withholding taxes	—	—	—	—	—	—
Interest	4,203,838	2,000,682	793,926	764,192	1,202,769	1,162,083
Income from investment trust units	—	—	—	—	—	—
Income from futures contracts	—	—	—	—	—	—
	4,203,838	2,000,682	793,926	764,192	1,202,769	1,162,083
<b>Operating expenses</b>						
Management fees	782,540	528,036	106,978	99,638	231,338	207,340
Administration costs	60,000	60,103	—	4,357	30,000	32,140
Custodian fees	11,863	5,739	3,984	2,168	5,021	5,138
Audit fees	10,532	11,208	6,254	7,839	9,442	10,392
Reports to securityholders	26,860	16,588	3,305	919	6,566	6,248
Legal fees	—	1,000	—	551	—	750
Filing fees	23,815	13,217	6,050	4,558	7,912	6,394
Capital tax	—	—	—	—	—	—
Goods and Services Tax	63,129	43,276	8,554	8,068	19,500	18,321
	978,739	679,167	135,125	128,098	309,779	286,723
Income (loss) before income taxes	3,225,099	1,321,515	658,801	636,094	892,990	875,360
Less: Income taxes	—	—	—	—	—	—
Net income (loss)	\$ 3,225,099	\$ 1,321,515	\$ 658,801	\$ 636,094	\$ 892,990	\$ 875,360

## Statements of Net Income (Loss)

	Guardian International Income Fund		Guardian Foreign Income Fund		Guardian Monthly Dividend Fund Ltd.	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
<b>Income</b>						
Dividends	\$ —	\$ —	\$ —	\$ —	\$ 14,349,903	\$ 18,788,652
Less: Withholding taxes	—	—	—	—	—	—
Interest	9,292,556	11,704,665	1,021,437	272,952	3,964,383	2,938,093
Income from investment trust units	—	—	—	—	3,512,373	4,672,334
Income from futures contracts	3,219,538	1,355,838	524,718	80,874	—	—
	12,512,094	13,060,503	1,546,155	353,826	21,826,659	26,399,079
<b>Operating expenses</b>						
Management fees	2,500,994	2,843,469	243,474	44,561	5,673,618	7,729,891
Administration costs	1,560,000	1,900,650	75,700	31,100	778,000	997,662
Custodian fees	48,574	59,973	10,885	3,665	23,829	35,212
Audit fees	23,004	25,674	16,566	11,132	37,434	25,688
Reports to securityholders	52,478	59,811	7,475	855	124,635	119,191
Legal fees	—	1,000	—	—	—	7,978
Filing fees	40,676	42,423	9,152	3,551	77,177	139,681
Capital tax	—	—	—	—	158,815	909,274
Goods and services tax	293,014	342,514	25,172	6,441	462,948	624,104
	4,518,740	5,275,514	388,424	101,305	7,336,456	10,588,681
Income (loss) before income taxes	7,993,354	7,784,989	1,157,731	252,521	14,490,203	15,810,398
Less: Income taxes	—	—	—	—	98,145	—
Net income loss	\$ 7,993,354	\$ 7,784,989	\$ 1,157,731	\$ 252,521	\$ 14,392,058	\$ 15,810,398

The accompanying notes are an integral part of these financial statements.

	Guardian Monthly High Income Fund		Guardian Canadian Balanced Fund		Guardian Growth & Income Fund		Guardian International Balanced Fund	
	1998	1997	1998	1997	1998	1997	1998	1997
	\$ 5,712,678	\$ 1,515,286	\$ 1,807,249	\$ 2,814,998	\$ 157,860	\$ 27,551	\$ 151,560	\$ 225,307
	—	—	39,279	37,048	—	—	19,239	22,865
	3,008,575	3,805,358	12,628,998	10,592,043	531,862	61,319	3,151,984	3,098,193
	13,338,981	6,240,837	305,147	262,974	41,942	14,040	—	—
	—	—	—	—	—	—	2,202,051	4,685,760
	22,060,234	11,561,481	14,702,115	13,632,967	731,664	102,910	5,486,356	7,986,395
	8,929,268	5,600,067	6,855,676	6,331,375	664,742	95,097	1,661,563	1,963,663
	1,017,314	379,000	1,800,000	1,563,802	56,600	—	69,200	116,700
	57,961	34,331	89,127	83,242	—	—	55,199	50,249
	38,462	34,002	20,138	28,663	10,444	—	12,124	16,481
	149,516	78,759	158,489	163,860	5,720	—	24,396	33,412
	—	—	—	5,699	—	—	—	1,000
	170,861	121,884	96,483	82,401	—	—	17,622	17,550
	—	—	—	—	—	—	—	—
	713,630	429,378	622,041	574,059	46,426	6,657	127,683	152,707
	11,077,012	6,677,421	9,641,954	8,833,101	783,932	101,754	1,967,787	2,351,762
	10,983,222	4,884,060	5,060,161	4,799,866	(52,268)	1,156	3,518,569	5,634,633
	—	—	—	—	—	—	—	—
	\$ 10,983,222	\$ 4,884,060	\$ 5,060,161	\$ 4,799,866	\$ (52,268)	\$ 1,156	\$ 3,518,569	\$ 5,634,633

## Statements of Net Income (Loss)

	Guardian Growth Equity Fund		Guardian Enterprise Fund		Guardian American Large Cap Fund	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
<b>Income</b>						
Dividends	\$ 3,638,481	\$ 3,471,118	\$ 1,032,181	\$ 566,652	\$ 3,821	\$ —
Less: Withholding taxes	—	—	—	—	557	—
Interest	997,593	772,533	1,134,678	654,515	2,034	—
Income from investment trust units	428,577	46,836	—	—	—	—
Income from futures contracts	—	—	—	—	—	—
	5,064,651	4,290,487	2,166,859	1,221,167	5,298	—
<b>Operating expenses</b>						
Management fees	7,028,793	5,401,901	5,868,888	4,621,434	5,883	—
Administration costs	420,000	405,000	1,200,000	938,500	—	—
Custodian fees	22,072	22,339	31,833	29,111	5,483	—
Audit fees	20,456	15,785	19,776	16,158	4,444	—
Reports to securityholders	118,165	99,945	101,568	121,054	95	—
Legal fees	—	1,000	—	—	—	—
Filing fees	80,825	63,848	9,973	4,941	78	—
Capital tax	—	—	—	—	—	—
Goods and Services Tax	532,355	416,674	504,306	401,897	1,113	—
	8,222,666	6,426,492	7,736,344	6,133,095	17,096	—
Income (loss) before income taxes	(3,158,015)	(2,136,005)	(5,569,485)	(4,911,928)	(11,798)	—
Less: Income taxes	—	—	—	—	—	—
Net income (loss)	\$ (3,158,015)	\$ (2,136,005)	\$ (5,569,485)	\$ (4,911,928)	\$ (11,798)	\$ —

*The accompanying notes are an integral part of these financial statements.*



Guardian American Equity Fund Ltd.		Guardian Global Equity Fund		Guardian Global Small Cap Fund		Guardian Emerging Markets Fund	
1998	1997	1998	1997	1998	1997	1998	1997
\$ 403,492	\$ 626,722	\$ 201,506	\$ 185,713	\$ 50,189	\$ 91,493	\$ 147,056	\$ 184,689
50,452	92,258	23,625	26,879	703	8,929	7,869	14,375
250,703	110,445	19,740	14,465	4,553	1,125	22,176	21,106
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
603,743	644,909	197,621	173,299	54,039	83,689	161,363	191,420
1,166,058	1,055,166	318,432	222,085	34,382	92,063	71,623	157,235
180,000	186,806	24,000	22,000	—	—	—	—
15,345	42,989	29,584	36,308	15,127	12,675	41,553	31,543
14,433	12,589	11,362	11,599	9,530	11,189	10,502	10,941
25,712	42,631	6,637	8,402	2,326	4,478	3,712	6,745
—	1,218	—	—	—	—	—	—
5,719	4,236	4,248	3,034	4,442	3,934	4,706	4,447
—	20,000	—	—	—	—	—	—
97,365	93,896	25,694	21,923	4,026	8,147	8,339	14,794
1,504,632	1,459,531	419,957	325,361	69,833	132,486	140,435	225,705
(900,889)	(814,622)	(222,336)	(152,062)	(15,794)	(48,797)	20,928	(34,285)
—	39,884	—	—	—	—	—	—
\$ (900,889)	\$ (854,516)	\$ (222,336)	\$ (152,062)	\$ (15,794)	\$ (48,797)	\$ 20,928	\$ (34,285)

## Statements of Changes in Net Assets and Realized Gain (Loss) on Sale of Investments

	Guardian Canadian Money Market Fund		Guardian U.S. Money Market Fund (In U.S.\$)		Guardian Canadian Income Fund	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
<b>Changes in Net Assets</b>						
Net assets, beginning of period	\$ 63,967,238	\$ 58,445,307	\$ 16,532,913	\$ 13,748,926	\$ 19,825,944	\$ 23,217,603
Increased by:						
Net income	3,225,099	1,321,515	658,801	636,094	892,990	875,360
Realized gain on sale of investments	—	—	—	—	142,344	94,355
Unrealized appreciation of investments	—	—	—	—	—	—
Issue of mutual fund securities	200,245,944	116,762,495	21,726,543	18,538,948	8,736,522	6,254,101
	203,471,043	118,084,010	22,385,344	19,175,042	9,771,856	7,223,816
Decreased by:						
Net loss	—	—	—	—	—	—
Realized loss on sale of investments	—	—	—	—	—	—
Distributions/dividends to securityholders —						
From net income	3,191,224	1,284,507	654,922	632,437	876,910	843,937
From realized gain on sale of investments	—	—	—	—	—	—
From management fee reduction	33,875	37,441	3,879	3,657	16,080	31,423
From return of capital	—	—	—	—	—	—
Unrealized depreciation of investments	—	—	—	—	123,195	252,208
Redemption of mutual fund securities	149,128,079	111,240,131	23,527,565	15,754,961	8,424,566	9,487,907
	152,353,178	112,562,079	24,186,366	16,391,055	9,440,751	10,615,475
Net increase (decrease) for the period	51,117,865	5,521,931	(1,801,022)	2,783,987	331,105	(3,391,659)
Net assets, end of period	\$ 115,085,103	\$ 63,967,238	\$ 14,731,891	\$ 16,532,913	\$ 20,157,049	\$ 19,825,944
<b>Realized gain (loss) on sale of investments</b>						
Proceeds from sale of investments	\$ —	\$ —	\$ —	\$ —	\$ 12,981,233	\$ 4,885,760
Cost of investments, beginning of period	—	—	—	—	17,571,037	17,129,004
Cost of investments purchased during the period	—	—	—	—	13,499,184	5,233,438
	—	—	—	—	31,070,221	22,362,442
Cost of investments, end of period	—	—	—	—	18,231,332	17,571,037
Cost of investments sold during the period	—	—	—	—	12,838,889	4,791,405
Realized gain (loss) on sale of investments	\$ —	\$ —	\$ —	\$ —	\$ 142,344	\$ 94,355

The accompanying notes are an integral part of these financial statements.

	Guardian International Income Fund		Guardian Foreign Income Fund		Guardian Monthly Dividend Fund Ltd.		Guardian Monthly High Income Fund	
	1998	1997	1998	1997	1998	1997	1998	1997
	\$ 168,656,927	\$ 227,464,494	\$ 5,453,794	\$ 4,873,409	\$ 498,187,730	\$ 563,963,289	\$ 499,031,379	\$ 130,420,116
	7,993,354	7,784,989	1,157,731	252,521	14,392,058	15,810,398	10,983,222	4,884,060
	—	4,466,476	591,326	122,826	4,463,188	37,479,082	—	5,651,671
	10,189,103	—	665,873	156,859	—	—	—	2,558,763
	40,782,525	22,134,445	43,993,135	1,547,100	18,154,195	19,171,251	255,367,593	422,287,043
	58,964,982	34,385,910	46,408,065	2,079,306	37,009,441	72,460,731	266,350,815	435,381,537
	—	—	—	—	—	—	—	—
	2,871,824	—	—	—	—	—	8,840,690	—
	7,754,121	7,743,375	1,136,586	238,471	16,827,794	13,468,716	10,974,970	4,882,177
	—	—	591,326	106,281	4,965,901	18,225,196	—	6,157,530
	43,758	41,614	21,145	14,050	—	—	8,251	1,887
	—	—	—	—	—	—	32,775,575	13,717,459
	—	534,158	—	—	23,840,156	38,866,554	96,281,894	—
	49,165,677	84,874,330	8,064,695	1,140,119	189,214,670	67,675,824	122,891,889	42,011,221
	59,835,380	93,193,477	9,813,752	1,498,921	234,848,521	138,236,290	271,773,269	66,770,274
	(870,398)	(58,807,567)	36,594,313	580,385	(197,839,080)	(65,775,559)	(5,422,454)	368,611,263
	\$ 167,786,529	\$ 168,656,927	\$ 42,048,107	\$ 5,453,794	\$ 300,348,650	\$ 498,187,730	\$ 493,608,925	\$ 499,031,379
	\$ 56,385,771	\$ 146,428,637	\$ 7,513,047	\$ 1,613,832	\$ 201,271,527	\$ 341,839,579	\$ 144,907,158	\$ 120,277,478
	111,670,399	171,728,349	3,345,495	2,352,883	494,324,790	518,163,181	453,782,568	100,517,701
	35,831,315	81,904,211	22,753,354	2,483,618	20,628,456	280,522,106	278,602,162	467,890,674
	147,501,714	253,632,560	26,098,849	4,836,501	514,953,246	798,685,287	732,384,730	568,408,375
	88,244,119	111,670,399	19,177,128	3,345,495	318,144,907	494,324,790	578,636,882	453,782,568
	59,257,595	141,962,161	6,921,721	1,491,006	196,808,339	304,360,497	153,747,848	114,625,807
	\$ (2,871,824)	\$ 4,466,476	\$ 591,326	\$ 122,826	\$ 4,463,188	\$ 37,479,082	\$ (8,840,690)	\$ 5,651,671

## Statements of Changes in Net Assets and Realized Gain (Loss) on Sale of Investments

	Guardian Canadian Balanced Fund		Guardian Growth & Income Fund		Guardian International Balanced Fund	
Period ended December 31	1998	1997	1998	1997	1998	1997
<b>Changes in Net Assets</b>						
Net assets, beginning of period	\$ 379,317,720	\$ 277,194,686	\$ 9,500,996	\$ —	\$ 70,585,051	\$ 86,967,426
Increased by:						
Net income	5,060,161	4,799,866	—	1,156	3,518,569	5,634,633
Realized gain on sale of investments	19,753,186	16,971,347	—	158,006	—	379,909
Unrealized appreciation of investments	—	—	—	85,499	5,025,776	—
Issue of mutual fund securities	95,637,005	162,831,520	32,234,850	9,846,513	9,703,029	12,522,766
	120,450,352	184,602,733	32,234,850	10,091,174	18,247,374	18,537,308
Decreased by:						
Net loss	—	—	52,268	—	—	—
Realized loss on sale of investments	—	—	1,307,865	—	3,470,998	—
Distributions/dividends to securityholders —						
From net income	4,505,214	5,313,318	—	1,156	2,665,205	5,625,492
From realized gain on sale of investments	21,345,341	14,718,333	—	142,543	—	—
From management fee reduction	360,466	359,812	168	—	14,669	9,141
From return of capital	—	—	—	—	—	—
Unrealized depreciation of investments	32,632,568	11,409,815	1,158,186	—	—	328,049
Redemption of mutual fund securities	101,545,986	50,678,421	11,171,040	446,479	19,814,161	28,957,001
	160,389,575	82,479,699	13,689,527	590,178	25,965,033	34,919,683
Net increase (decrease) for the period	(39,939,223)	102,123,034	18,545,323	9,500,996	(7,717,659)	(16,382,375)
Net assets, end of period	\$ 339,378,497	\$ 379,317,720	\$ 28,046,319	\$ 9,500,996	\$ 62,867,392	\$ 70,585,051
<b>Realized gain (loss) on sale of investments</b>						
Proceeds from sale of investments	\$ 159,421,627	\$ 91,295,322	\$ 13,768,124	\$ 2,659,789	\$ 35,868,758	\$ 28,005,279
Cost of investments, beginning of period	235,822,147	174,635,169	9,049,879	—	34,696,102	42,608,622
Cost of investments purchased during the period	161,516,588	135,510,953	34,329,736	11,551,662	29,720,651	19,712,850
	397,338,735	310,146,122	43,379,615	11,551,662	64,416,753	62,321,472
Cost of investments, end of period	257,670,294	235,822,147	28,303,626	9,049,879	25,076,997	34,696,102
Cost of investments sold during the period	139,668,441	74,323,975	15,075,989	2,501,783	39,339,756	27,625,370
Realized gain (loss) on sale of investments	\$ 19,753,186	\$ 16,971,347	\$ (1,307,865)	\$ 158,006	\$ (3,470,998)	\$ 379,909

The accompanying notes are an integral part of these financial statements.



	Guardian Growth Equity Fund		Guardian Enterprise Fund		Guardian American Large Cap Fund		Guardian American Equity Fund Ltd.	
	1998	1997	1998	1997	1998	1997	1998	1997
	\$ 293,950,072	\$ 123,807,464	\$ 300,461,689	\$ 91,106,877	\$ —	\$ —	\$ 60,147,157	\$ 51,519,638
	—	—	—	—	—	—	—	—
	—	15,567,953	—	6,347,350	4,436	—	10,809,084	12,414,343
	—	—	—	8,753,412	83,828	—	1,282,517	—
	98,780,127	202,931,526	74,632,600	237,426,430	931,751	—	37,960,950	14,443,510
	98,780,127	218,499,479	74,632,600	252,527,192	1,020,015	—	50,052,551	26,857,853
	3,158,015	2,136,005	5,569,485	4,911,928	11,798	—	900,889	854,516
	4,338,321	—	5,141,205	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	8,719,516	—	—	—	—	4,682,749	8,516,325
	42,731	53,261	33,209	79,316	—	—	—	—
	—	—	—	—	—	—	—	—
	23,710,934	1,236,719	32,397,166	—	—	—	—	27,134
	109,834,978	36,211,370	107,917,423	38,181,136	44,958	—	38,622,445	8,832,359
	141,084,979	48,356,871	151,058,488	43,172,380	56,756	—	44,206,083	18,230,334
	(42,304,852)	170,142,608	(76,425,888)	209,354,812	963,259	—	5,846,468	8,627,519
	\$ 251,645,220	\$ 293,950,072	\$ 224,035,801	\$ 300,461,689	\$ 963,259	\$ —	\$ 65,993,625	\$ 60,147,157
	\$ 93,853,109	\$ 114,031,901	\$ 96,814,099	\$ 66,402,534	\$ 107,007	\$ —	\$ 134,514,498	\$ 74,836,788
	247,721,269	89,973,654	246,692,370	71,210,743	—	—	47,055,642	42,487,418
	90,943,668	256,211,563	73,982,028	235,536,811	924,871	—	132,234,480	66,990,669
	338,664,937	346,185,217	320,674,398	306,747,554	924,871	—	179,290,122	109,478,087
	240,473,507	247,721,269	218,719,094	246,692,370	822,300	—	55,584,708	47,055,642
	98,191,430	98,463,948	101,955,304	60,055,184	102,571	—	123,705,414	62,422,445
	\$ (4,338,321)	\$ 15,567,953	\$ (5,141,205)	\$ 6,347,350	\$ 4,436	\$ —	\$ 10,809,084	\$ 12,414,343

## Statements of Changes in Net Assets and Realized Gain (Loss) on Sale of Investments

	Guardian Global Equity Fund		Guardian Global Small Cap Fund		Guardian Emerging Markets Fund	
Period ended December 31	1998	1997	1998	1997	1998	1997
<b>Changes in Net Assets</b>						
Net assets, beginning of period	\$ 15,363,700	\$ 12,053,987	\$ 3,680,910	\$ 7,280,801	\$ 7,596,142	\$ 7,034,097
Increased by:						
Net income	—	—	—	—	20,928	—
Realized gain on sale of investments	2,338,902	598,785	—	—	—	—
Unrealized appreciation of investments	2,115,973	283,746	930,484	—	—	—
Issue of mutual fund securities	12,710,971	6,851,532	366,893	622,774	369,735	4,260,821
	17,165,846	7,734,063	1,297,377	622,774	390,663	4,260,821
Decreased by:						
Net loss	222,336	152,062	15,794	48,797	—	34,285
Realized loss on sale of investments	—	—	929,611	547,133	1,573,397	204,024
Distributions/dividends to securityholders —						
From net income	—	—	—	—	—	—
From realized gain on sale of investments	—	—	—	—	—	—
From management fee reduction	28,471	88,933	10,591	28,196	17,669	46,191
From return of capital	—	—	—	—	—	—
Unrealized depreciation of investments	—	—	—	1,051,764	177,685	389,646
Redemption of mutual fund securities	11,517,384	4,183,355	1,436,498	2,546,775	2,995,184	3,024,630
	11,768,191	4,424,350	2,392,494	4,222,665	4,763,935	3,698,776
Net increase (decrease) for the period	5,397,655	3,309,713	(1,095,117)	(3,599,891)	(4,373,272)	562,045
Net assets, end of period	\$ 20,761,355	\$ 15,363,700	\$ 2,585,793	\$ 3,680,910	\$ 3,222,870	\$ 7,596,142
<b>Realized gain (loss) on sale of investments</b>						
Proceeds from sale of investments	\$ 22,816,629	\$ 8,113,564	\$ 4,558,932	\$ 4,245,943	\$ 7,802,590	\$ 8,529,112
Cost of investments, beginning of period	12,811,322	9,808,413	4,242,862	6,875,979	6,909,446	6,447,451
Cost of investments purchased during the period	23,585,997	10,517,688	3,562,974	2,159,959	5,856,390	9,195,131
	36,397,319	20,326,101	7,805,836	9,035,938	12,765,836	15,642,582
Cost of investments, end of period	15,919,592	12,811,322	2,317,293	4,242,862	3,389,849	6,909,446
Cost of investments sold during the period	20,477,727	7,514,779	5,488,543	4,793,076	9,375,987	8,733,136
Realized gain (loss) on sale of investments	\$ 2,338,902	\$ 598,785	\$ (929,611)	\$ (547,133)	\$ (1,573,397)	\$ (204,024)

The accompanying notes are an integral part of these financial statements.

**Summary of Changes in Number of Outstanding  
Classic Securities of the Funds**

	Guardian Canadian Money Market Fund		Guardian U.S. Money Market Fund		Guardian Canadian Income Fund	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
Classic securities, beginning of period	3,868,925	4,014,183	1,622,019	1,357,749	1,217,038	1,684,199
Number of Classic securities issued	9,597,809	7,959,321	2,065,704	1,824,558	139,498	198,820
	13,466,734	11,973,504	3,687,723	3,182,307	1,356,536	1,883,019
Number of Classic securities redeemed	7,083,707	8,104,579	2,286,372	1,560,288	421,293	665,981
Classic securities, end of period	6,383,027	3,868,925	1,401,351	1,622,019	935,243	1,217,038

	Guardian International Income Fund		Guardian Foreign Income Fund		Guardian Monthly Dividend Fund Ltd.	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
Classic securities, beginning of period	4,217,575	5,672,614	294,929	273,638	14,573,190	16,882,639
Number of Classic securities issued	947,758	676,407	1,468,246	52,243	504,413	810,869
	5,165,333	6,349,021	1,763,175	325,881	15,077,603	17,693,508
Number of Classic securities redeemed	1,805,767	2,131,446	485,287	30,952	6,822,456	3,120,318
Classic securities, end of period	3,359,566	4,217,575	1,277,888	294,929	8,255,147	14,573,190

	Guardian Monthly High Income Fund		Guardian Canadian Balanced Fund		Guardian Growth & Income Fund	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
Classic securities, beginning of period	9,769,548	3,831,112	4,818,145	3,216,549	184,241	—
Number of Classic securities issued	3,514,121	7,976,646	1,763,591	2,391,844	515,082	204,144
	13,283,669	11,807,758	6,581,736	5,608,393	699,323	204,144
Number of Classic securities redeemed	3,886,083	2,038,210	1,792,112	790,248	199,991	19,903
Classic securities, end of period	9,397,586	9,769,548	4,789,624	4,818,145	499,332	184,241

## Summary of Changes in Number of Outstanding Classic Securities of the Funds

	Guardian International Balanced Fund		Guardian Growth Equity Fund		Guardian Enterprise Fund	
	1998	1997	1998	1997	1998	1997
<i>Period ended December 31</i>						
Classic securities, beginning of period	1,206,669	1,436,885	6,324,720	4,300,450	4,131,894	1,938,418
Number of Classic securities issued	161,282	289,701	2,566,252	3,405,237	560,467	3,171,108
	1,367,951	1,726,586	8,890,972	7,705,687	4,692,361	5,109,526
Number of Classic securities redeemed	415,902	519,917	3,144,940	1,380,967	2,087,943	977,632
Classic securities, end of period	952,049	1,206,669	5,746,032	6,324,720	2,604,418	4,131,894

	Guardian American Large Cap Fund		Guardian American Equity Fund Ltd.		Guardian Global Equity Fund	
	1998	1997	1998	1997	1998	1997
<i>Period ended December 31</i>						
Classic securities, beginning of period	—	—	3,500,906	3,133,268	1,079,472	791,144
Number of Classic securities issued	20,294	—	486,873	758,148	138,295	564,754
	20,294	—	3,987,779	3,891,416	1,217,767	1,355,898
Number of Classic securities redeemed	1,279	—	814,831	390,510	840,171	276,426
Classic securities, end of period	19,015*	—	3,172,948	3,500,906	377,596	1,079,472

\* As at December 31, 1998, Guardian Capital Group Ltd. owned 15,000 units representing 79% of the outstanding units of the class.

	Guardian Global Small Cap Fund		Guardian Emerging Markets Fund	
	1998	1997	1998	1997
<i>Period ended December 31</i>				
Classic securities, beginning of period	322,416	440,850	222,929	177,591
Number of Classic securities issued	13,395	18,701	6,234	174,841
	335,811	459,551	229,163	352,432
Number of Classic securities redeemed	136,207	137,135	192,152	129,503
Classic securities, end of period	199,604	322,416	37,011	222,929

The accompanying notes are an integral part of these financial statements.



**Summary of Changes in Number of Outstanding  
Mutual Fund Securities of the Funds**

	<b>Guardian Canadian Money Market Fund</b>		<b>Guardian U.S. Money Market Fund</b>		<b>Guardian Canadian Income Fund</b>	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
Mutual Fund securities, beginning of period	2,527,799	1,830,348	31,272	17,144	734,012	581,742
Number of Mutual Fund securities issued	10,426,785	3,716,885	106,950	29,336	719,580	412,411
	12,954,584	5,547,233	138,222	46,480	1,453,592	994,153
Number of Mutual Fund securities redeemed	7,829,101	3,019,434	66,384	15,208	408,109	260,141
Mutual Fund securities, end of period	5,125,483	2,527,799	71,838	31,272	1,045,483	734,012

	<b>Guardian International Income Fund</b>		<b>Guardian Foreign Income Fund</b>		<b>Guardian Monthly Dividend Fund Ltd.</b>	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
Mutual Fund securities, beginning of period	12,254,004	17,025,875	198,049	188,181	41,734,236	44,733,298
Number of Mutual Fund securities issued	2,872,042	1,500,004	2,134,169	86,569	1,619,330	1,300,654
	15,126,046	18,525,879	2,332,218	274,750	43,353,566	46,033,952
Number of Mutual Fund securities redeemed	2,860,478	6,271,875	170,425	76,701	15,022,735	4,299,716
Mutual Fund securities, end of period	12,265,568	12,254,004	2,161,793	198,049	28,330,831	41,734,236

	<b>Guardian Monthly High Income Fund</b>		<b>Guardian Canadian Balanced Fund</b>		<b>Guardian Growth &amp; Income Fund</b>	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
Mutual Fund securities, beginning of period	41,704,432	9,484,066	14,801,114	10,799,457	1,507,572	—
Number of Mutual Fund securities issued	26,095,268	34,385,501	3,280,845	5,711,087	5,186,753	1,568,500
	67,799,700	43,869,567	18,081,959	16,510,544	6,694,325	1,568,500
Number of Mutual Fund securities redeemed	10,887,323	2,165,135	3,438,451	1,709,430	1,952,077	60,928
Mutual Fund securities, end of period	56,912,377	41,704,432	14,643,508	14,801,114	4,742,248	1,507,572

## Summary of Changes in Number of Outstanding Mutual Fund Securities of the Funds

	Guardian International Balanced Fund		Guardian Growth Equity Fund		Guardian Enterprise Fund	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
Mutual Fund securities, beginning of period	11,366,394	13,841,911	19,668,672	7,285,707	10,957,291	3,232,278
Number of Mutual Fund securities issued	1,507,454	1,863,034	6,399,473	14,067,935	3,362,087	8,649,849
	12,873,848	15,704,945	26,068,145	21,353,642	14,319,378	11,882,127
Number of Mutual Fund securities redeemed	2,998,246	4,338,551	7,117,883	1,684,970	3,824,674	924,836
Mutual Fund securities, end of period	9,875,602	11,366,394	18,950,262	19,668,672	10,494,704	10,957,291

	Guardian American Large Cap Fund		Guardian American Equity Fund Ltd.		Guardian Global Equity Fund	
<i>Period ended December 31</i>	1998	1997	1998	1997	1998	1997
Mutual Fund securities, beginning of period	—	—	1,336,763	1,234,843	1,053,398	944,931
Number of Mutual Fund securities issued	72,171	—	2,603,026	397,366	1,343,504	411,026
	72,171	—	3,939,789	1,632,209	2,396,902	1,355,957
Number of Mutual Fund securities redeemed	3,259	—	2,306,378	295,446	576,647	302,559
Mutual Fund securities, end of period	68,912*	—	1,633,411	1,336,763	1,820,255	1,053,398

\* As at December 31, 1998, Guardian Capital Group Ltd. owned 15,000 units representing 22% of the outstanding units of the class.

	Guardian Global Small Cap Fund		Guardian Emerging Markets Fund	
<i>Period ended December 31</i>	1998	1997	1998	1997
Mutual Fund securities, beginning of period	178,809	250,929	508,523	450,753
Number of Mutual Fund securities issued	34,937	45,556	32,899	181,756
	213,746	296,485	541,422	632,509
Number of Mutual Fund securities redeemed	69,802	117,676	141,230	123,986
Mutual Fund securities, end of period	143,944	178,809	400,192	508,523

The accompanying notes are an integral part of these financial statements.

<b>Guardian Canadian Money Market Fund</b> (“Canadian Money”)	<b>Guardian Monthly Dividend Fund Ltd.</b> (“Monthly Dividend”)	<b>Guardian Growth Equity Fund</b> (“Growth Equity”)	<b>Guardian Global Small Cap Fund</b> (“Small Cap”) (formerly Guardian Asia Pacific Fund)
<b>Guardian U.S. Money Market Fund</b> (“U.S. Money”)	<b>Guardian Monthly High Income Fund</b> (“High Income”)	<b>Guardian Enterprise Fund</b> (“Enterprise”)	<b>Guardian Emerging Markets Fund</b> (“Emerging Markets”)
<b>Guardian Canadian Income Fund</b> (“Canadian Income”)	<b>Guardian Canadian Balanced Fund</b> (“Canadian Balanced”)	<b>Guardian American Large Cap Fund</b> (“Large Cap”)	(the “Funds”)
<b>Guardian International Income Fund</b> (“International Income”)	<b>Guardian Growth &amp; Income Fund</b> (“Growth & Income”)	<b>Guardian American Equity Fund Ltd.</b> (“American”)	
<b>Guardian Foreign Income Fund</b> (“Foreign Income”)	<b>Guardian International Balanced Fund</b> (“International Balanced”)	<b>Guardian Global Equity Fund</b> (“Global”)	

## 1. Reclassification of securities:

Following securityholders’ approval, effective January 1, 1996, the securities of each Fund, except High Income, Growth & Income and Large Cap (note 11), were reclassified into Class A and Class B securities, depending upon the purchase option chosen by the investor. Further, following securityholders’ approval, effective August 21, 1997, the Class A and Class B securities, for all Funds except Foreign Income, were renamed Classic securities and Mutual Fund securities, respectively.

In these financial statements, the Class A and Class B securities of Foreign Income are referred to as Classic and Mutual Fund securities, respectively.

In disclosing amounts per security in these financial statements, it has been assumed that the present description existed since January 1, 1996.

## 2. Significant accounting policies:

### a) Valuation of investments:

- i) Securities listed on a stock exchange are valued at market values which are determined by the latest available sale price on the recognized stock exchange on which they are listed or principally traded.
- ii) Securities for which reliable quotations are not available or are not listed on a stock exchange are valued based upon any available public quotation in common use or at a price estimated to be the fair value thereof on such basis and in such manner as may be approved by Guardian Group of Funds Ltd. (“the Manager”).
- iii) Bonds are valued at market values which are determined by the latest bid prices for trading in over-the-counter markets.
- iv) Listed options are valued at market values which are determined by the closing sale price on the recognized exchange on which the option is traded. Unlisted options are valued at their estimated fair market value, as determined by the Manager.
- v) Short-term investments are stated at cost. Interest income is accrued daily and is included in income receivable. In the opinion of the Manager, the cost of the investments, together with the amortization of discount which is included in income receivable, approximates their fair market value.
- vi) Forward and futures contracts are valued at the gain (loss) that would arise as a result of closing the position at the valuation date.

### b) Investment transactions and income:

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date, except for certain non-North American dividends, which are recorded upon receipt. Distributions received from investment trust units are recorded as income, capital gains or a return of capital, based on the latest information available to the Manager. Amounts recorded as a return of capital reduce the cost of the investment in the trust unit. Discounts or premiums arising on the purchase of short-term notes or bonds are recognized as income over the term to maturity. Income and capital gains from mutual fund investments are recognized when distributed to the Fund. Realized gains (losses) from investment and short-term note transactions and unrealized appreciation (depreciation) are determined on an average cost basis.

### c) Translation of foreign currency transactions and balances:

The market values of investments and other assets and liabilities in foreign currencies are translated into Canadian dollars at the closing rates of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in realized gain (loss) on sale of investments and unrealized gains (losses) are included in unrealized appreciation (depreciation) of investments.

### d) Income from futures contracts:

Income realized from investments in futures contracts after January 1, 1995 has been recorded on the Statement of Net Income (Loss) and has been included in the amounts of income distributed to securityholders. Prior to January 1, 1995, such amounts were recorded as realized gains (losses) on the sale of investments, and were included in the amounts of capital gains distributed to securityholders.

## 3. Securityholders’ equity:

Securityholders’ equity for each Fund includes the amounts representing the Fund’s securities, undistributed net income, undistributed realized gain (loss) on sale of investments and unrealized appreciation (depreciation) of investments and other net assets. An unlimited number of each Fund’s Classic and Mutual Fund securities may be issued, which are redeemable at the securityholder’s option in accordance with Note 7. The difference between market values and average cost of investments and other net assets represents unrealized appreciation (depreciation) of investments and other net assets.

#### 4. Management fee and other expenses:

A management fee is calculated on the average daily net asset value of each class of securities, proportionately excluding any assets invested in other mutual funds upon which a management fee is charged. This fee is payable monthly in arrears to the Manager for investment portfolio management services, at one-twelfth of the following rates:

	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>
Canadian Money	0.75%	1.35%
U.S. Money	0.75%	1.35%
Canadian Income	1.00%	1.60%
International Income	1.10%	1.70%
Foreign Income	1.10%	1.70%
Monthly Dividend	1.00%	1.60%
High Income	1.25%	1.85%
Canadian Balanced	1.50%	2.10%
Growth & Income	2.00%	2.60%
International Balanced	2.00%	2.60%
Growth Equity	2.00%	2.60%
Enterprise	1.75%	2.35%
Large Cap	2.00%	2.60%
American	1.75%	2.35%
Global	1.75%	2.35%
Small Cap	2.00%	2.60%
Emerging Markets	2.00%	2.60%

In addition, American pays to the Manager an annual performance bonus, determined separately for each class, to a maximum of 0.50% of the average daily net asset value of the class, if that class outperforms the simple average of The Toronto Stock Exchange "300" Composite Total Return Index and the Standard & Poor's Dividends Reinvested Index. No bonus was paid in 1998 or 1997.

Each of the Funds is responsible for all of its operating expenses, excluding the costs of investment management, investment advisory services, marketing and advertising (and excluding the costs of preparation and distribution of the annual prospectus documents of American, Enterprise and Global), which are borne by the Manager or an advisor. Administration costs, including securityholder transfer costs, are incurred by the Manager and charged to the Funds on a reasonable basis. For the year ended December 31, 1998, the Manager absorbed \$1,492,933 (1997 - \$2,625,132) of the operating expenses of certain of the Funds.

Individual securityholders of the Funds may negotiate with the Manager to reduce the management fee payable by the Fund pertaining to the assets of the Fund represented by their securities. With the exception of securityholders of American and Monthly Dividend, securityholders who have negotiated such a reduction will receive a proportionately larger distribution of the income of the Fund, thus receiving the benefit of the lower management fee. With respect to American and Monthly Dividend, securityholders who have negotiated a reduction will receive a payment, from the Manager, representing such reduction in the management fee.

#### 5. Income taxes:

Monthly Dividend and American qualify as Mutual Fund Corporations under the Income Tax Act. Corporate income taxes are payable on taxable income, including net taxable capital gains. However, income taxes payable by a Fund on net taxable capital gains are refundable on a formula basis, when shares of such Funds are redeemed or capital gains dividends are paid.

For the years ended December 31, 1998 and 1997, Monthly Dividend qualified as an Investment Corporation under the Income Tax Act, and therefore was not subject to Part IV tax. For any years when Monthly Dividend does not qualify as an Investment Corporation, it would be subject to a special Part IV tax on dividends received from taxable Canadian corporations, which would be refundable when taxable dividends were paid to shareholders.

All of the Funds, except for Foreign Income and Large Cap, qualify as mutual fund trusts under the provisions of the Income Tax Act (Canada). Foreign Income qualifies as a quasi mutual fund trust and Large Cap intends to qualify as a mutual fund trust under the Income Tax Act (Canada). The Funds are not subject to tax on their net income, including net realized capital gains for the calendar year, which is paid or payable to their unitholders as at the end of the calendar year. However, such part of a Fund's net income and net realized capital gains that is not so paid or payable will be taxable to the Funds. Income tax on net realized capital gains not paid or payable will be generally recoverable by virtue of refunding provisions contained in the Income Tax Act (Canada) and provincial income tax legislation, as redemptions occur. It is the intention of the Funds to pay all net taxable income and sufficient net realized capital gains so that the Funds will not be subject to income taxes.

U.S. Money prepares its financial statements in United States dollars, but distributes net income and allocates net realized capital gains (arising from foreign exchange movements) calculated on a Canadian dollar basis.

Income tax legislation introduced in December 1998 allows a qualifying Mutual Fund Trust to elect to have a taxation year end of December 15 instead of December 31. Certain funds will make such an election pursuant to the legislation.

As at December 31, 1998, the Funds' non-capital losses and capital losses carried forward were :

	<i>Non-Capital Losses</i>	<i>Capital Losses</i>
Canadian Money	\$ —	\$ —
U.S. Money	—	—
Canadian Income	—	711,415
International Income	—	28,727,952
Foreign Income	—	—
Monthly Dividend	—	—
High Income	—	8,596,893
Canadian Balanced	—	—
Growth & Income	20,375	1,306,429
International Balanced	—	8,356,721
Growth Equity	1,512,629	3,739,134
Enterprise	5,235,407	6,147,272
Large Cap	8,896	—
American	—	—
Global	258,994	338,067
Small Cap	97,498	1,377,588
Emerging Markets	84,014	1,768,383



## 6. Commissions:

Total commissions paid to dealers in connection with portfolio transactions amounted to the following:

Period ended December 31	1998	1997
Canadian Money	\$ —	\$ —
U.S. Money	—	—
Canadian Income	—	—
International Income	—	—
Foreign Income	—	—
Monthly Dividend	294,552	1,009,042
High Income	556,039	868,873
Canadian Balanced	371,349	408,144
Growth & Income	67,186	35,531
International Balanced	59,304	66,679
Growth Equity	319,691	677,707
Enterprise	517,121	944,974
Large Cap	642	—
American	347,079	155,756
Global	100,750	49,703
Small Cap	29,111	24,885
Emerging Markets	34,082	40,784

## 7. Redemption procedures:

Investors in Fund securities may redeem their investments at the net asset value per security calculated on any day on which The Toronto Stock Exchange is open for trading (a "Valuation Date"), less any applicable redemption fees, upon submission of a written request to the Manager's Toronto office. A redemption request must be signed by the investor, and the signature must be guaranteed by a bank, trust company of registered securities or mutual fund dealer (a "Dealer"). At the option of the investor, a redemption request submitted to a Dealer may be sent to the Manager directly by telephone, computer link or other electronic means ("wire order") without charge to the investor. The net asset value per security for redemption purposes will be determined when the redemption request is received by the Manager. The Manager will pay the redemption amount within three Valuation Dates (two Valuation Dates, in the case of Canadian Money and U.S. Money) of the date on which all required documentation is received by the Manager. If the documentation is not received within ten Valuation Dates, the redemption request will be cancelled, with any loss payable by the Dealer or investor.

## 8. Statements of portfolio transactions:

A statement of portfolio transactions (unaudited) for each of the Funds for the period ended December 31, 1998 may be obtained without charge by writing to:

**Guardian Group of Funds Ltd.**  
**Commerce Court West, Suite 4100, P.O. Box 201**  
**Toronto, Ontario M5L 1E8**

## 9. Five year financial information summary (see "notes" on page 62):

a) Net asset value per security:

As at December 31	1998		1997		1996		1995	1994
	Classic Securities	Mutual Fund Securities	Classic Securities	Mutual Fund Securities	Classic Securities	Mutual Fund Securities		
Canadian Money	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
U.S. Money (U.S.\$)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Canadian Income	10.16	10.19	10.15	10.18	10.24	10.26	10.07	9.57
International Income	10.73	10.74	10.24	10.24	10.02	10.02	9.93	8.97
Foreign Income	12.18	12.25	11.05	11.08	10.55	10.55	10.63	9.97
Monthly Dividend	8.32	8.18	8.91	8.82	9.18	9.14	8.51	—
High Income	7.52	7.43	9.73	9.69	9.80	9.79	—	—
Canadian Balanced	17.45	17.47	19.31	19.34	19.75	19.78	18.08	16.80
Growth & Income	5.40	5.35	5.65	5.61	—	—	—	—
International Balanced	5.80	5.81	5.62	5.61	5.70	5.69	5.63	5.52
Growth Equity	10.25	10.17	11.32	11.30	10.68	10.69	7.92	7.39
Enterprise	17.34	17.04	20.07	19.85	17.67	17.59	12.22	9.30
Large Cap	10.99	10.95	—	—	—	—	—	—
American	13.84	13.53	12.48	12.32	11.82	11.74	10.94	9.54
Global	9.59	9.42	7.24	7.16	6.96	6.93	6.10	5.50
Small Cap	7.58	7.46	7.37	7.30	10.53	10.51	10.19	10.03
Emerging Markets	7.59	7.35	10.47	10.35	11.22	11.18	9.94	10.03

As at January 31, 1995

Monthly Dividend	\$ 8.06
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## Notes to Financial Statements (cont.)

b) Earnings (loss) per security – (based on the weighted average number of securities outstanding during the period):

i) Net income (loss)

As at December 31	1998		1997		1996		1995	1994
	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>		
Canadian Money	\$ 0.41	\$ 0.34	\$ 0.25	\$ 0.18	\$ 0.38	\$ 0.30	\$ 0.61	\$ 0.44
U.S. Money (U.S.\$)	0.44	0.37	0.45	0.39	0.43	0.36	0.50	0.35
Canadian Income	0.50	0.42	0.47	0.38	0.57	0.50	0.65	0.61
International Income	0.57	0.50	0.48	0.40	0.52	0.45	0.57	0.44
Foreign Income	0.78	0.68	0.65	0.53	0.74	0.65	1.05	0.14
Monthly Dividend	0.36	0.30	0.31	0.25	0.37	0.32	0.42	—
High Income	0.23	0.17	0.20	0.13	0.05	0.04	—	—
Canadian Balanced	0.42	0.21	0.45	0.23	0.51	0.32	0.67	0.57
Growth & Income	0.02	(0.01)	0.03	—	—	—	—	—
International Balanced	0.36	0.30	0.47	0.43	0.45	0.41	0.45	0.13
Growth Equity	(0.06)	(0.14)	(0.05)	(0.14)	0.04	(0.03)	0.06	0.02
Enterprise	(0.29)	(0.41)	(0.35)	(0.51)	(0.21)	(0.33)	(0.12)	(0.05)
Large Cap	(0.20)	(0.24)	—	—	—	—	—	—
American	(0.16)	(0.24)	(0.18)	(0.25)	(0.12)	(0.19)	(0.23)	(0.22)
Global	(0.03)	(0.15)	(0.01)	(0.14)	(0.02)	(0.10)	0.03	(0.06)
Small Cap	—	(0.09)	(0.03)	(0.17)	(0.07)	(0.20)	(0.06)	0.04
Emerging Markets	0.21	(0.01)	0.12	(0.13)	—	(0.11)	0.04	0.05

Year ended January 31, 1995

Monthly Dividend \$ 0.49

ii) Realized gain (loss) on sale of investments

As at December 31	1998		1997		1996		1995	1994
	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>		
Canadian Money	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. Money (U.S.\$)	0.73	0.73	0.49	0.49	(0.03)	(0.03)	(0.23)	0.15
Canadian Income	0.07	0.07	0.05	0.05	0.05	0.05	0.06	0.09
International Income	(0.18)	(0.18)	0.24	0.24	0.59	0.59	0.43	(1.02)
Foreign Income	0.37	0.37	0.29	0.29	0.13	0.13	0.10	0.26
Monthly Dividend	0.10	0.10	0.64	0.64	0.32	0.32	0.24	—
High Income	(0.15)	(0.15)	0.17	0.17	0.11	0.11	—	—
Canadian Balanced	1.03	1.03	1.00	1.00	0.66	0.66	0.35	0.59
Growth & Income	(0.28)	(0.28)	0.23	0.23	—	—	—	—
International Balanced	(0.31)	(0.31)	0.03	0.03	0.16	0.16	(0.02)	(0.41)
Growth Equity	(0.17)	(0.17)	0.81	0.81	1.03	1.03	0.03	0.07
Enterprise	(0.35)	(0.35)	0.60	0.60	0.52	0.52	0.73	0.51
Large Cap	0.09	0.09	—	—	—	—	—	—
American	2.23	2.23	2.87	2.87	1.02	1.02	1.71	1.33
Global	1.19	1.19	0.28	0.28	0.28	0.28	0.45	0.87
Small Cap	(2.17)	(2.17)	(0.92)	(0.92)	0.27	0.27	0.05	—
Emerging Markets	(2.69)	(2.69)	(0.27)	(0.27)	(0.02)	(0.02)	0.14	—

Year ended January 31, 1995

Monthly Dividend \$ (0.13)

## Notes to Financial Statements (cont.)

c) Distributions/dividends per security – (based on the number of securities outstanding on the dates of the distributions):

i) From net income

As at December 31	1998		1997		1996		1995	1994
	Classic Securities	Mutual Fund Securities	Classic Securities	Mutual Fund Securities	Classic Securities	Mutual Fund Securities		
Canadian Money	\$ 0.40	\$ 0.34	\$ 0.24	\$ 0.18	\$ 0.37	\$ 0.30	\$ 0.61	\$ 0.43
U.S. Money (U.S.\$)	0.46	0.40	0.46	0.40	0.43	0.37	0.50	0.34
Canadian Income	0.49	0.42	0.45	0.38	0.56	0.48	0.64	0.62
International Income	0.60	0.48	0.52	0.44	0.57	0.50	0.61	0.44
Foreign Income	0.57	0.45	0.58	0.48	0.79	0.72	0.73	0.09
Monthly Dividend	0.39	0.39	0.23	0.23	0.45	0.45	0.66	–
High Income	0.23	0.17	0.18	0.13	0.05	0.05	–	–
Canadian Balanced	0.33	0.21	0.40	0.27	0.47	0.34	0.62	0.53
Growth & Income	–	–	0.01	–	–	–	–	–
International Balanced	0.30	0.25	0.53	0.48	0.50	0.45	0.52	0.10
Growth Equity	–	–	–	–	0.15	0.11	0.05	0.02
Enterprise	–	–	–	–	–	–	–	–
Large Cap	–	–	–	–	–	–	–	–
American	–	–	–	–	–	–	–	–
Global	–	–	–	–	–	–	–	–
Small Cap	–	–	–	–	–	–	–	0.03
Emerging Markets	–	–	–	–	–	–	0.02	0.03

Year ended January 31, 1995

Monthly Dividend	\$ 0.72
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ii) From realized gain on sale of investments

As at December 31	1998		1997		1996		1995	1994
	Classic Securities	Mutual Fund Securities	Classic Securities	Mutual Fund Securities	Classic Securities	Mutual Fund Securities		
Canadian Money	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
U.S. Money (U.S.\$)	0.80	0.80	0.10	0.10	–	–	–	0.12
Canadian Income	–	–	–	–	–	–	–	–
International Income	–	–	–	–	–	–	–	–
Foreign Income	0.18	0.18	0.23	0.23	0.06	0.06	0.06	0.16
Monthly Dividend	0.09	0.09	0.32	0.32	0.18	0.18	–	–
High Income	–	–	0.15	0.19	0.01	0.01	–	–
Canadian Balanced	1.17	1.17	0.78	0.78	0.27	0.27	0.15	0.51
Growth & Income	–	–	0.09	0.09	–	–	–	–
International Balanced	–	–	–	–	–	–	–	–
Growth Equity	–	–	0.38	0.33	0.25	0.23	–	0.04
Enterprise	–	–	–	–	–	–	–	0.58
Large Cap	–	–	–	–	–	–	–	–
American	1.00	1.00	2.02	2.02	0.45	0.45	1.05	0.83
Global	–	–	–	–	–	–	–	–
Small Cap	–	–	–	–	0.05	–	0.31	–
Emerging Markets	–	–	–	–	–	–	0.14	–

Year ended January 31, 1995

Monthly Dividend	\$ –
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## Notes to Financial Statements (cont.)

iii) From return of capital

As at December 31	1998		1997		1996		1995	1994
	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>		
High Income	\$ 0.49	\$ 0.55	\$ 0.39	\$ 0.40	\$ 0.12	\$ 0.12	\$ —	\$ —

d) Management expense ratio (management expenses, excluding taxes, as a percentage of average daily net assets of the Fund (each class, in 1996, 1997 and 1998), annualized):

As at December 31	1998		1997		1996		1995	1994
	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>	<i>Classic Securities</i>	<i>Mutual Fund Securities</i>		
Canadian Money	0.84%	1.51%	0.83%	1.53%	0.83%	1.53%	0.91%	0.86%
U.S. Money (U.S.\$)	0.86%	1.49%	0.87%	1.50%	0.95%	1.66%	0.90%	0.89%
Canadian Income	1.15%	1.90%	1.09%	1.88%	1.21%	1.91%	1.24%	1.39%
International Income	2.05%	2.75%	2.10%	2.83%	2.10%	2.81%	1.98%	1.92%
Foreign Income	1.51%	2.33%	1.75%	2.80%	2.02%	2.85%	1.98%	1.81%
Monthly Dividend	1.31%	1.91%	1.25%	1.85%	1.25%	1.84%	1.24%	—
High Income	1.52%	2.13%	1.45%	2.05%	1.50%	2.10%	—	—
Canadian Balanced	1.69%	2.69%	1.65%	2.66%	1.89%	2.76%	1.95%	1.93%
Growth & Income	2.27%	2.90%	2.00%	2.60%	—	—	—	—
International Balanced	2.03%	2.87%	2.18%	2.90%	2.30%	2.92%	2.65%	2.57%
Growth Equity	2.17%	2.83%	2.19%	2.88%	2.23%	2.95%	2.46%	2.60%
Enterprise	2.21%	2.86%	2.15%	2.86%	2.17%	2.85%	2.58%	2.61%
Large Cap	1.97%	2.33%	—	—	—	—	—	—
American	2.15%	2.75%	2.28%	2.88%	2.34%	2.91%	2.80%	2.98%
Global	1.59%	2.82%	1.15%	2.88%	1.80%	2.85%	2.49%	2.62%
Small Cap	1.79%	2.97%	1.66%	2.95%	1.77%	2.98%	2.50%	2.48%
Emerging Markets	0.72%	2.93%	1.00%	2.99%	2.05%	2.96%	2.50%	2.59%

Year ended January 31, 1995

Monthly Dividend	1.24%
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e) U.S. exchange rates:

Year ended December 31	1998	1997	1996	1995	1994
As at December 31	\$ 1.5333	\$ 1.4305	\$ 1.3706	\$ 1.3640	\$ 1.4018
Average for the year	\$ 1.4771	\$ 1.3845	\$ 1.3635	\$ 1.3726	\$ 1.3659

### Notes:

- i) The management expense ratios for International Balanced for 1994 and Canadian Balanced for 1994 to 1997 include additional assumed management expense ratios incurred in other Guardian mutual funds, based on the average percentages of these two Funds invested in such other mutual funds.
- ii) Foreign Income, Small Cap and Emerging Markets were each formed on July 28, 1994, and information for these Funds for 1994 is for the period from July 28 to December 31, 1994.

- iii) Following securityholders' approval, effective November 9, 1995, the name of Guardian Preferred Dividend Fund Ltd. was changed to Guardian Monthly Dividend Fund Ltd. In addition, following regulatory approval, Monthly Dividend changed its fiscal year end from January 31 to December 31, effective in 1995. Consequently, for 1995, amounts shown in these financial statements are as at December 31, 1995 and for the eleven months then ended. For 1994, amounts shown are as at January 31, 1995 and for the year then ended.



### 10. Monthly Dividend:

Effective October 31, 1996, new subscriptions for securities of Monthly Dividend were no longer accepted by the Manager. Subscriptions continue to be accepted for purchases through the Guardian Asset Builder program and through the reinvestment of cash dividends.

### 11. New Funds:

Large Cap, High Income and Growth & Income were formed under Declarations of Trust dated May 1, 1998, October 21, 1996 and January 2, 1997, respectively. Therefore, information for these Funds in these financial statements is provided, for Large Cap in 1998, for the period from May 1, 1998 to December 31, 1998, and for High Income in 1996, for the period from October 21, 1996 to December 31, 1996, and for Growth & Income in 1997, for the period from January 2, 1997 to December 31, 1997.

### 12. Change of name and investment mandate:

Following securityholders' approval, effective October 1, 1998, the name of Guardian Asia Pacific Fund was changed to Guardian Global Small Cap Fund and the investment mandate was changed to reflect investments in small capitalization issuers located throughout the world.

### 13. Year 2000:

The Year 2000 issue arises because many computer systems were written to use two digits rather than four to identify a year. If not corrected, these systems may not properly recognize dates beyond 1999. Problems can occur before, during and after January 1, 2000. The effects may range from minor errors to significant disruption to the Funds' operations and financial reporting.

An assessment has been carried out of the potential impact of the Year 2000 issue on the systems used to administer the Funds and plans are being carried out to replace, upgrade or discontinue these systems where necessary. However, it is not possible to be certain that all aspects of the Year 2000 issue which may impact the Funds, including the effects of the problem on third parties, have been identified and will be resolved. In addition, companies in which the Funds invest could be adversely affected by year 2000 issues, which could have a negative effect on the Funds' investment returns.

### 14. Subsequent event:

On January 1, 1999, eleven member countries (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain) of the European Union adopted a single currency known as the "Euro" to replace the respective currencies of these member countries (the "Euro Conversion"). This Euro Conversion did not change the valuation of the Funds' portfolio and other assets denominated in currencies of the member countries as expressed in Canadian dollars.

### 15. Comparative figures:

Certain figures have been restated to conform with current year presentation.

## Auditors' Report

February 26, 1999

To the Unitholders of

**Guardian Canadian Money Market Fund**  
**Guardian U.S. Money Market Fund**  
**Guardian Canadian Income Fund**  
**Guardian International Income Fund**  
**Guardian Foreign Income Fund**  
**Guardian Monthly High Income Fund**  
**Guardian Canadian Balanced Fund**  
**Guardian Growth & Income Fund**

**Guardian International Balanced Fund**  
**Guardian Growth Equity Fund**  
**Guardian Enterprise Fund**  
**Guardian American Large Cap Fund**  
**Guardian Global Equity Fund**  
**Guardian Global Small Cap Fund**  
**(formerly Guardian Asia Pacific Fund)**  
**Guardian Emerging Markets Fund**

and the Shareholders of

**Guardian American Equity Fund Ltd.**

**Guardian Monthly Dividend Fund Ltd.**

(Collectively referred to as the "Funds")

We have audited the statements of net assets, investment portfolio, net income (loss), changes in net assets and realized gain (loss) on sale of investments set out on pages 14 to 63 inclusive, as at the dates and for the periods indicated in these financial statements. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial positions of each of the Funds, their investment portfolios, the results of their operations and the changes in their net assets as at the dates and for the periods indicated in accordance with generally accepted accounting principles.

Chartered Accountants  
Toronto, Canada

## Approval of Financial Statements

February 26, 1999

The financial statements of:

**Guardian Canadian Money Market Fund**  
**Guardian U.S. Money Market Fund**  
**Guardian Canadian Income Fund**  
**Guardian International Income Fund**  
**Guardian Foreign Income Fund**  
**Guardian Monthly High Income Fund**  
**Guardian Canadian Balanced Fund**  
**Guardian Growth & Income Fund**

**Guardian International Balanced Fund**  
**Guardian Growth Equity Fund**  
**Guardian Enterprise Fund**  
**Guardian American Large Cap Fund**  
**Guardian Global Equity Fund**  
**Guardian Global Small Cap Fund**  
**(formerly Guardian Asia Pacific Fund)**  
**Guardian Emerging Markets Fund**

are hereby approved on behalf of the Trustee and Manager,  
Guardian Group of Funds Ltd.

C.V. Christensen, Director

H.W. Hillier, Director

The financial statements of **Guardian American Equity Fund Ltd.**, **Guardian Canadian Balanced Fund** and **Guardian Monthly Dividend Fund Ltd.** are hereby approved on behalf of the board of directors of each fund.

C.V. Christensen, Director

H.W. Hillier, Director



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